



FY 2002-03
APPROPRIATIONS REPORT
Initial Appropriations

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THE SENATE FISCAL AGENCY

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1. To provide technical, analytical, and preparatory support for all appropriations bills.
2. To provide written analyses of all Senate bills, House bills and Administrative Rules considered by the Senate.
3. To review and evaluate proposed and existing State programs and services.
4. To provide economic and revenue analysis and forecasting.
5. To review and evaluate the impact of Federal budget decisions on the State.
6. To review and evaluate State issuance of long-term and short-term debt.
7. To review and evaluate the State's compliance with constitutional and statutory fiscal requirements.
8. To prepare special reports on fiscal issues as they arise and at the request of members of the Senate.

The Agency is located on the 8th floor of the Victor Office Center. The Agency is an equal opportunity employer.



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OVERVIEW

STATE APPROPRIATIONS SUMMARY

The Legislature completed action on all of the fiscal year (FY) 2002-03 appropriation bills in September 2002 with the passage of the Department of Transportation bill. Legislative action on the FY 2002-03 budget focused on adjusting the level of appropriations to ensure a balance between the level of estimated revenues and expenditures. The level of revenues available to support expenditures was reduced by the impact of the deteriorating condition of the State's economy and the impact of phased-in reductions in State taxes. Final action to ensure a balance between estimated revenues and appropriations included a 50-cent-per-pack increase in the State cigarette tax rate and a suspension of the January 1, 2003, scheduled reduction in the rate of the single business tax. The FY 2002-03 State budget debate also was marked by a rare override of a veto of a line-item appropriation. On August 13, 2002, the Legislature overrode the Governor's veto of \$854.1 million of revenue sharing payments to units of local government.

The enacted FY 2002-03 appropriation bills were developed based on a consensus revenue estimate agreed to in May 2002. The May 2002 estimate provided for a \$1.8 million or 0.1% decline in FY 2002-03 General Fund/General Purpose (GF/GP) revenues and a \$400.4 million or a 4.0% increase in FY 2002-03 School Aid Fund (SAF) revenues. The final level of GF/GP revenues available to support expenditures was increased above the consensus estimate by the changes in the cigarette tax and the single business tax. The cigarette tax increase resulted in a \$140.2 million increase in FY 2002-03 GF/GP revenues, and the suspension of the scheduled single business tax rate reduction increased FY 2002-03 GF/GP revenues by \$87.3 million. The combination of the consensus revenue estimate along with the tax changes and other one-time revenue sources provided enough GF/GP revenue to fund the enacted GF/GP appropriations.

FY 2002-03 APPROPRIATIONS

On an overall basis the Legislature approved Adjusted Gross¹⁾ appropriations totaling \$39 billion. This represents an increase of \$411.3 million or 1.1% above FY 2001-02 year-to-date appropriations. Enacted State Spending from State Resources²⁾ appropriations total \$26.5 billion, an increase of \$398.1 million or 1.5% over FY 2001-02 year-to-date appropriations. Enacted GF/GP appropriations³⁾ total \$9.2 billion, a decrease of \$1.2 million or 0.01% below the FY 2001-02 year-to-date appropriations. Table A and Figure 1 summarize these enacted appropriations by source of funds.

Major Changes in State Appropriations

Tables B, C and D and Figures 2, 3 and 4 provide a detailed comparison of year-to-date FY 2002-03 with year-to-date FY 2001-02 appropriations. The tables and figures present appropriation detail by State department or program in terms of Adjusted Gross, State Spending from State Resources, and GF/GP appropriations. The following information contains a brief summary of the major FY 2002-03 appropriation changes in each budget area. All numbers are GF/GP appropriations unless otherwise noted.

Agriculture: The enacted budget contains no new policy initiatives.

Attorney General: The enacted budget contains no new policy initiatives.

a) Adjusted Gross appropriations are defined as Gross appropriations less interdepartmental grants received.

b) State Spending from State Resources appropriations are defined as Adjusted Gross appropriations less Federal, Local, and Private funds.

c) General Fund/General Purpose appropriations are defined as State Spending from State Resources appropriations less State Restricted appropriations.

Capital Outlay: The enacted budget contains a 9.5% increase in debt service payments on State bonds issued by the State Building Authority to finance construction projects at State buildings, university buildings, and community colleges. The bill also contains the funding for a new Airport Safety and Protection Plan which will be funded with a combination of Federal funds and State restricted funds. The enacted budget does not contain any new planning authorization for State Building Authority construction projects at universities or community colleges.

Career Development: The enacted budget appropriates additional Federal funds for a Gear-Up program which is designed to encourage at-risk students to stay in school.

Civil Rights: The enacted budget contains no new policy initiatives.

Civil Service: The enacted budget contains a funding increase for the training of State Civil Service management level employees. These employees are required to complete this type of training as a condition of their employment.

Community Colleges: The enacted budget contains no increase in the level of funding for community college operations. The only increase in the budget is for the State's required payments in lieu of property taxes to community colleges for property located in State-designated renaissance zones.

Community Health: The enacted budget does not include revenue from a proposed provider assessment on Community Mental Health boards, as this increase was vetoed by the Governor due to newly issued Federal regulations barring such an assessment. In addition, appropriations for long-term care services, home and community-based waiver, personal care services, adult home health, and health maintenance organizations were vetoed because funding for these items had already been appropriated in Public Acts 303 and 304 of 2002, which provide statutory authorization for the nursing home and health maintenance organization assessments. In conjunction with these assessments, Medicaid rates paid to health maintenance organizations and nursing homes will go up by an average net increase of 7% and 5%, respectively. Conditional language authorizing a similar increase for hospitals was not implemented due to a veto by the Governor. However, S.B. 1323, now P.A. 562 of 2002, was subsequently adopted and signed into law. This is an assessment bill for hospitals similar to those for nursing homes and HMOs and should net the hospital industry a 10% increase in Medicaid payments for FY 2002-03.

Consumer and Industry Services: The enacted budget includes the funding authorization to hire new regulatory staff in the areas of insurance, elevator and boiler inspectors, and fire safety inspectors. These additional regulatory services will be financed by revenue from fees charged against the affected business. Fire Protection grants were vetoed in this budget but were subsequently restored in the Department of Transportation budget bill.

Corrections: The enacted budget includes funding adjustments to reflect the operational costs of new prison bed openings throughout the fiscal year. Funding increases for the health care program also are included to reflect the rising cost of providing health care for prisoners.

Education: The enacted budget contains no new policy initiatives.

Environmental Quality: The enacted budget contains no new policy initiatives. It does include several budget adjustments in environmental cleanup programs to reflect the estimated level of Federal and restricted revenues available to fund these programs, and to offset General Fund reductions in these programs.

Executive: The enacted budget contains no new policy initiatives.

Family Independence Agency: The enacted budget was developed based on the assumption that the United States Congress reauthorizes the Temporary Assistance for Needy Families welfare block grant program at the FY 2001-02 level. The Congress is currently debating this program, whose funding and implementing legislation expired on September 30, 2002. Funding for the State's Family Assistance Program continues to provide an increasing level of resources for child care and day care services for welfare recipients reentering the workforce. The Foster Care and Adoption Subsidy Program will receive a 1.0% provider funding increase effective April 1, 2003.

Higher Education: The enacted budget freezes the State's operational funding for public universities. In exchange for this funding commitment from the State, the universities agreed to hold tuition increases to a maximum of 8.5% or \$425, whichever is greater, for resident undergraduate students.

History, Arts, and Libraries: The enacted budget contains no new policy initiatives.

Judiciary: The enacted budget contains funding for six new circuit court judges and the reduction of one district court judge as mandated by statute.

Information Technology: This new State department is designed to coordinate the information technology needs of the State of Michigan under one department. The budget is funded by \$424.0 million of interdepartmental grants received from other State departments.

Legislature: The enacted budget contains no new policy initiatives.

Management and Budget: The enacted budget contains no new policy initiatives.

Military and Veterans Affairs: The enacted budget contains no new policy initiatives.

Natural Resources: The enacted budget contains \$2.0 million of funding increases for the effort to eradicate bovine tuberculosis in the deer herd in Michigan. The enacted budget also eliminates General Fund support for the Michigan Conservation Corps, which will result in the closure of the Camp Vanderbilt corps facility.

School Aid: The enacted budget includes the funding for a \$6,700 per pupil minimum foundation allowance. This represents a \$200 per pupil increase from the FY 2001-02 level. The budget eliminates funding for two major categorical programs, the Parent Involvement and Education, and the Reading programs. The budget also includes a special \$15.0 million grant to the Detroit Public Schools. This grant is contingent upon the Detroit Public Schools' remaining under the direction of the State-mandated reform school board.

State: The enacted budget includes a \$1.0 million GF/GP reduction for the operation of branch offices. This savings is intended to be achieved by better use of technology to reduce the number of transactions processed in branch offices.

State Police: The enacted budget contains no funding for a State Police trooper school. This fact along with expected trooper attrition is likely to bring the number of at-post troopers to a level of approximately 1,073 at the close of FY 2002-03. This will represent a decline of 271 troopers or 20.1% below the past three fiscal years.

Strategic Fund Agency: The enacted budget includes a 50% funding reduction in economic development and job training grants funded with General Fund appropriations.

Treasury-Debt Service: The enacted budget contains a 38.1% decrease in the appropriation for debt service requirements on general obligation bonds. This reduction is primarily the result of the State's ability to generate debt service savings by refinancing existing debt to take advantage of the historically low level of interest rates.

Treasury-Operations: The enacted budget contains no major policy initiatives.

Treasury-Revenue Sharing: The enacted budget freezes the level of restricted revenue sharing payments to cities, villages, townships, and counties. This freeze results from the fact that an \$854.1 million veto of revenue sharing payments by the Governor was overridden by the Legislature on August 13, 2002.

State Employee Early Retirement: During the spring of 2002, legislation was enacted to establish a one-time early retirement incentive program for State employees who are members of the State Employees Retirement System. Approximately 7,800 State employees took advantage of this retirement offer. The FY 2002-03 enacted budget assumes \$49.0 million of GF/GP savings from the early retirement program. The savings result from the fact that on average only one-in-four of the employees retiring will be replaced.

Budgetary Savings: The enacted budget includes \$45.4 million of unspecified GF/GP savings from the enactment of a 1.0% reduction in the operational appropriations of State departments. The 1.0% savings are included in the departments' enacted budgets and will have to be implemented by legislative appropriation transfers approved during the fiscal year.

GUBERNATORIAL VETOES

The Governor, through his constitutional line-item veto authority, vetoed \$4.3 billion of Adjusted Gross and \$1.2 billion of GF/GP appropriations. The Legislature on August 13, 2002, overrode the vetoes of the Governor for revenue sharing payments to cities, villages, townships, and counties, as well as a veto in the Secretary of State's budget. The large amount of vetoes resulted from the fact that the Legislature enacted three separate appropriation bills for the Medicaid program. The Governor was forced to veto a significant amount of Medicaid appropriations to ensure that the final budget ended up at the level agreed to by the Governor and legislative leadership. Table E provides a summary of the FY 2002-03 line-item vetoes.

FEE INCREASES

The FY 2002-03 budget bills include the appropriation of \$5.1 million in new fee revenues. Table F provides a summary of these fee increases.

TOBACCO SETTLEMENT APPROPRIATIONS

The enacted budget includes the appropriation of \$367.6 million of revenue generated as a result of the 1998 master settlement agreement between the United States tobacco industry and 46 states. The appropriations are from two separate trust funds established to receive tobacco settlement revenue. Appropriations from the Merit Award Trust Fund total \$245.4 million and appropriations from the Tobacco Settlement Trust Fund total \$122.2

million. Included in these appropriations is a \$100.0 million appropriation from the Merit Award Trust Fund to the General Fund. This appropriation was necessary to balance the overall General Fund budget. [Table G](#) provides a summary of these FY 2002-03 tobacco settlement appropriations.

PROJECTED YEAR-END BALANCE

The level of the FY 2002-03 appropriations approved by the Legislature and signed into law by the Governor was based on a consensus estimate of GF/GP and School Aid Fund (SAF) revenues available for expenditure. The FY 2002-03 consensus estimate that was the basis for the budget was developed at the Consensus Revenue Estimating Conference held on May 16, 2002. The enacted FY 2002-03 GF/GP and SAF budgets provide a balance between estimated revenues and expenditures pursuant to constitutional requirements.

[Table H](#) provides a summary of the projected \$25.5 million FY 2002-03 GF/GP year-end balance. [Table I](#) provides a summary of the projected \$112.4 million FY 2002-03 SAF year-end balance.

STATE EMPLOYMENT LEVELS

[Table J](#) and [Figure 5](#) provide a summary of State classified full-time equated (FTE) employees appropriated in FY 2002-03 versus the year-to-date level of FTE employees appropriated in FY 2001-02. Total appropriated FTE employees in FY 2002-03 equal 62,745.2, a decrease of 1,301.9 or 2% from the prior fiscal year. The Budget Area Detail section of this report provides information on the specific FTE changes in each department.

STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Article IX, Section 30 of the State Constitution of 1963 prohibits the State from reducing the portion of State appropriations paid to local units of government below the FY 1978-79 level of 48.97%. The enacted FY 2002-03 appropriation bills exceed the minimum constitutional requirement by \$3.25 billion. [Table K](#) provides a summary of the calculation used to determine the State's compliance with this constitutional requirement for FY 2001-02 and FY 2002-03. [Table L](#) provides a list of State appropriations by department counted as payments to local units of government.

Table A

| FY 2002-03 YEAR-TO-DATE APPROPRIATIONS BY SOURCE OF FUNDS (Actual Dollars) | | | | | |
|--|-------------------------|-------------------------|--------------------------|---------------------------|------------------------|
| Department/Budget Area | Adjusted Gross | Federal Funds | Local & Private Funds | Other State Restricted | General Funds |
| Agriculture | \$84,777,000 | \$6,639,500 | \$1,127,600 | \$37,932,400 | \$39,077,500 |
| Attorney General | 51,839,700 | 7,672,700 | 1,183,000 | 9,216,400 | 33,767,600 |
| Capital Outlay | 573,096,900 | 167,542,000 | 43,000,000 | 58,245,000 | 304,309,900 |
| Career Development | 461,321,600 | 406,469,200 | 17,408,200 | 9,661,500 | 27,782,700 |
| Civil Rights | 14,367,700 | 934,000 | 0 | 0 | 13,433,700 |
| Civil Service | 26,285,200 | 4,779,100 | 1,850,000 | 9,639,200 | 10,016,900 |
| Community Colleges | 321,732,319 | 0 | 0 | 2,000,000 | 319,732,319 |
| Community Health | 9,328,341,800 | 5,002,000,200 | 1,011,321,200 | 774,821,500 | 2,540,198,900 |
| Consumer and Industry Services | 555,590,400 | 242,311,500 | 770,000 | 276,532,600 | 35,976,300 |
| Corrections | 1,702,552,100 | 26,403,400 | 391,100 | 55,490,600 | 1,620,267,000 |
| Education | 214,490,700 | 165,694,100 | 5,445,600 | 14,329,300 | 29,021,700 |
| Environmental Quality (Operations) | 391,246,700 | 131,521,400 | 435,700 | 186,857,100 | 72,432,500 |
| Environmental Quality (CMI Bond) | 0 | 0 | 0 | 0 | 0 |
| Executive | 5,399,500 | 0 | 0 | 0 | 5,399,500 |
| Family Independence Agency | 4,073,511,700 | 2,754,318,050 | 76,813,550 | 65,388,800 | 1,176,991,300 |
| Higher Education | 1,943,345,166 | 5,500,000 | 0 | 125,573,850 | 1,812,271,316 |
| History, Arts and Libraries | 71,486,200 | 8,111,300 | 577,400 | 1,900,900 | 60,896,600 |
| Information Technology | 0 | 0 | 0 | 0 | 0 |
| Judiciary | 242,162,300 | 3,901,000 | 3,784,300 | 57,477,700 | 176,999,300 |
| Legislature | 124,732,600 | 0 | 400,000 | 2,530,400 | 121,802,200 |
| Management & Budget | 79,750,200 | 358,600 | 0 | 35,355,300 | 44,036,300 |
| Military and Veteran Affairs | 103,164,700 | 39,114,500 | 530,000 | 23,437,600 | 40,082,600 |
| Natural Resources (Operations) | 252,384,100 | 30,427,300 | 1,793,700 | 176,338,800 | 43,824,300 |
| Natural Resources (CMI Bond) | 0 | 0 | 0 | 0 | 0 |
| Natural Resources Trust Fund | 0 | 0 | 0 | 0 | 0 |
| School Aid | 12,710,380,100 | 1,219,825,200 | 700,000 | 11,291,441,400 | 198,413,500 |
| State | 83,562,800 | 1,319,500 | 100 | 65,274,200 | 16,969,000 |
| State Police | 396,349,400 | 45,570,500 | 3,913,700 | 59,816,900 | 287,048,300 |
| Strategic Fund Agency | 153,555,600 | 62,953,300 | 853,100 | 45,050,000 | 44,699,200 |
| Transportation | 3,091,900,500 | 963,136,100 | 5,800,000 | 2,122,964,400 | 0 |
| Treasury (Debt Service) | 59,586,400 | 0 | 0 | 0 | 59,586,400 |
| Treasury (Operations) | 349,035,200 | 44,296,100 | 910,800 | 252,233,900 | 51,594,400 |
| Treasury (Revenue Sharing) | 1,533,500,000 | 0 | 0 | 1,523,600,000 | 9,900,000 |
| TOTAL APPROPRIATIONS | \$38,999,448,585 | \$11,340,798,550 | \$1,179,009,050 | \$17,283,109,750 | \$9,196,531,235 |

Figure 1

Appropriations by Source of Funds

FY 2002-03 Year-To-Date Appropriations

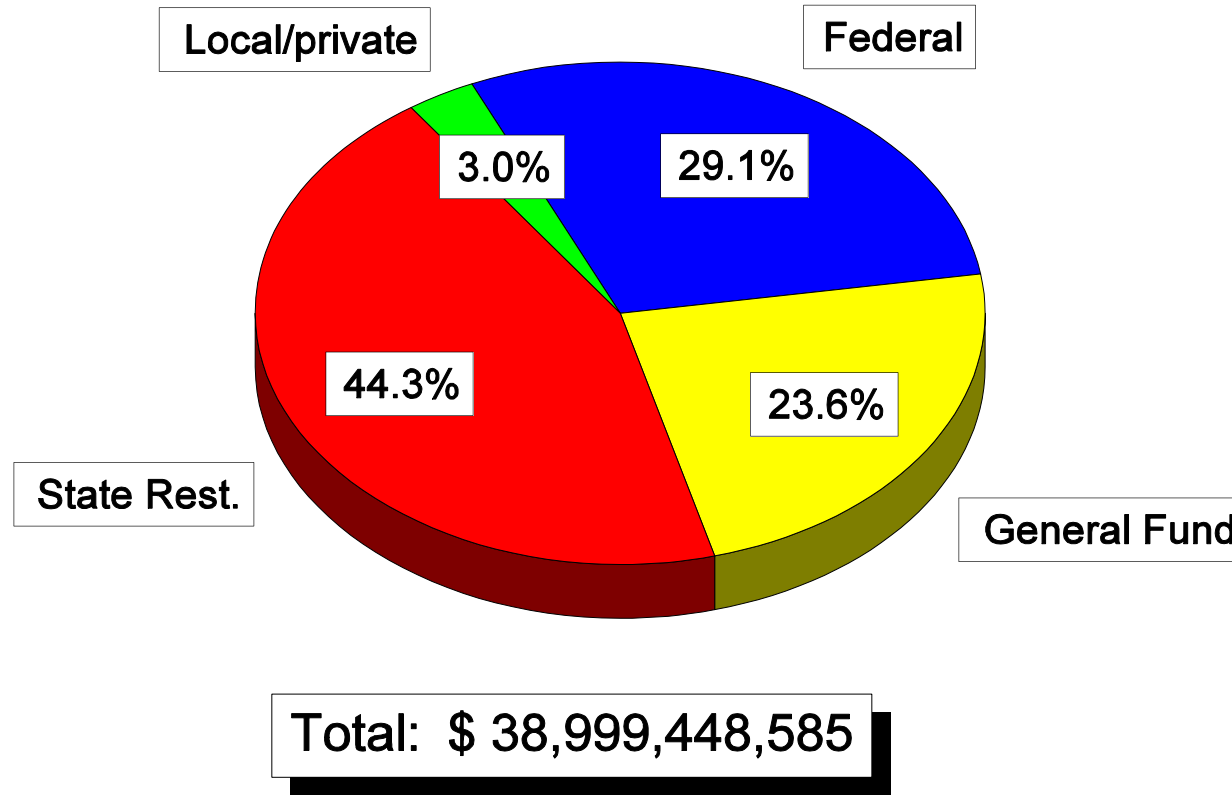


Table B

| ADJUSTED GROSS APPROPRIATIONS FY 2001-02 VERSUS FY 2002-03 (Actual Dollars) | | | | |
|--|---|---|------------------------------|---------------------------|
| Department/Budget Area | FY 2001-02 Year-to-Date Appropriations | FY 2002-03 Year-to-Date Appropriations | Dollar Difference | Percent Change |
| Agriculture | \$88,463,600 | \$84,777,000 | (\$3,686,600) | (4.2)% |
| Attorney General | 53,896,500 | 51,839,700 | (2,056,800) | (3.8) |
| Capital Outlay | 575,934,900 | 573,096,900 | (2,838,000) | (0.5) |
| Career Development | 547,387,700 | 461,321,600 | (86,066,100) | (15.7) |
| Civil Rights | 15,618,400 | 14,367,700 | (1,250,700) | (8.0) |
| Civil Service | 26,673,369 | 26,285,200 | (388,169) | (1.5) |
| Community Colleges | 321,867,419 | 321,732,319 | (135,100) | (0.04) |
| Community Health | 9,062,889,500 | 9,328,341,800 | 265,452,300 | 2.9 |
| Consumer and Industry Services | 644,368,600 | 555,590,400 | (88,778,200) | (13.8) |
| Corrections | 1,681,872,100 | 1,702,552,100 | 20,680,000 | 1.2 |
| Education | 1,019,419,300 | 214,490,700 | (804,928,600) | (79.0) |
| Environmental Quality (Operations) | 412,228,130 | 391,246,700 | (20,981,430) | (5.1) |
| Environmental Quality (CMI Bond) | 60,266,000 | 0 | (60,266,000) | (100.0) |
| Executive | 5,480,900 | 5,399,500 | (81,400) | (1.5) |
| Family Independence Agency | 4,002,408,600 | 4,073,511,700 | 71,103,100 | 1.8 |
| Higher Education | 1,935,042,366 | 1,943,345,166 | 8,302,800 | 0.4 |
| History, Arts and Libraries | 77,857,200 | 71,486,200 | (6,371,000) | (8.2) |
| Judiciary | 238,631,400 | 242,162,300 | 3,530,900 | 1.5 |
| Legislature | 124,237,800 | 124,732,600 | 494,800 | 0.4 |
| Management & Budget | 89,815,400 | 79,750,200 | (10,065,200) | (11.2) |
| Military and Veteran Affairs | 103,069,600 | 103,164,700 | 95,100 | 0.1 |
| Natural Resources (Operations) | 255,836,100 | 252,384,100 | (3,452,000) | (1.3) |
| Natural Resources (CMI Bond) | 0 | 0 | 0 | 0.0 |
| Natural Resources Trust Fund | 37,601,200 | 0 | (37,601,200) | (100.0) |
| School Aid | 11,423,561,700 | 12,710,380,100 | 1,286,818,400 | 11.3 |
| State | 83,554,300 | 83,562,800 | 8,500 | 0.01 |
| State Police | 400,096,600 | 396,349,400 | (3,747,200) | (0.9) |
| Strategic Fund Agency | 225,817,100 | 153,555,600 | (72,261,500) | (32.0) |
| Transportation | 3,101,366,500 | 3,091,900,500 | (9,466,000) | (0.3) |
| Treasury (Debt Service) | 96,995,000 | 59,586,400 | (37,408,600) | (38.6) |
| Treasury (Operations) | 352,309,100 | 349,035,200 | (3,273,900) | (0.9) |
| Treasury (Revenue Sharing) | 1,523,600,000 | 1,533,500,000 | 9,900,000 | 0.6 |
| TOTAL APPROPRIATIONS | \$38,588,166,384 | \$38,999,448,585 | \$411,282,201 | 1.1% |

Figure 2

Adjusted Gross FY 2002-03 Year-To-Date Appropriations

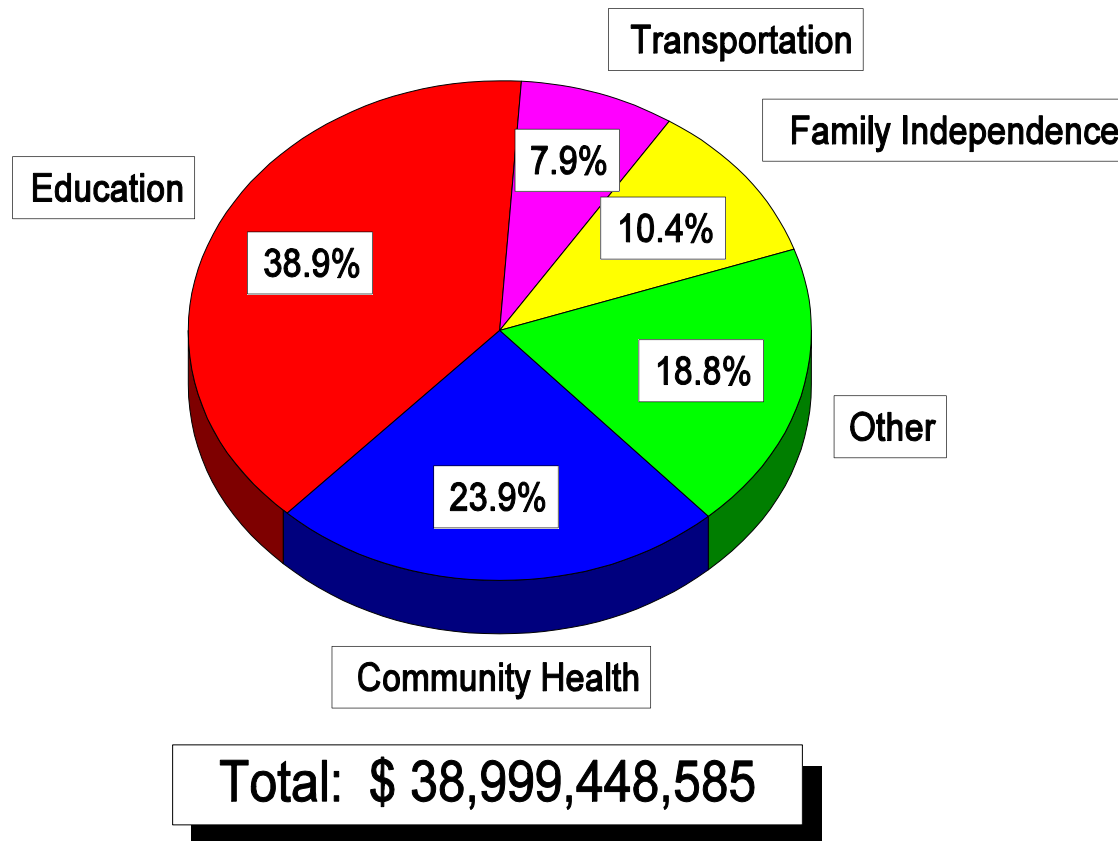


Table C

| STATE SPENDING FROM STATE RESOURCES FY 2001-02 VERSUS FY 2002-03 (Actual Dollars) | | | | |
|--|---|---|------------------------------|---------------------------|
| Department/Budget Area | FY 2001-02 Year-to-Date Appropriations | FY 2002-03 Year-to-Date Appropriations | Dollar Difference | Percent Change |
| Agriculture | \$80,384,700 | \$77,009,900 | (\$3,374,800) | (4.2)% |
| Attorney General | 44,347,200 | 42,984,000 | (1,363,200) | (3.1) |
| Capital Outlay | 356,887,900 | 362,554,900 | 5,667,000 | 1.6 |
| Career Development | 38,047,200 | 37,444,200 | (603,000) | (1.6) |
| Civil Rights | 14,333,000 | 13,433,700 | (899,300) | (6.3) |
| Civil Service | 19,954,006 | 19,656,100 | (297,906) | (1.5) |
| Community Colleges | 321,867,419 | 321,732,319 | (135,100) | (0.04) |
| Community Health | 3,064,916,800 | 3,315,020,400 | 250,103,600 | 8.2 |
| Consumer and Industry Services | 312,188,100 | 312,508,900 | 320,800 | 0.1 |
| Corrections | 1,653,031,700 | 1,675,757,600 | 22,725,900 | 1.4 |
| Education | 47,237,300 | 43,351,000 | (3,886,300) | (8.2) |
| Environmental Quality (Operations) | 269,953,430 | 259,289,600 | (10,663,830) | (4.0) |
| Environmental Quality (CMI Bond) | 60,266,000 | 0 | (60,266,000) | (100.0) |
| Executive | 5,480,900 | 5,399,500 | (81,400) | (1.5) |
| Family Independence Agency | 1,230,065,200 | 1,242,380,100 | 12,314,900 | 1.0 |
| Higher Education | 1,930,142,366 | 1,937,845,166 | 7,702,800 | 0.4 |
| History, Arts and Libraries | 67,168,000 | 62,797,500 | (4,370,500) | (6.5) |
| Judiciary | 231,512,800 | 234,477,000 | 2,964,200 | 1.3 |
| Legislature | 123,837,800 | 124,332,600 | 494,800 | 0.4 |
| Management & Budget | 89,435,100 | 79,391,600 | (10,043,500) | (11.2) |
| Military and Veteran Affairs | 63,598,500 | 63,520,200 | (78,300) | (0.1) |
| Natural Resources (Operations) | 223,846,300 | 220,163,100 | (3,683,200) | (1.6) |
| Natural Resources (CMI Bond) | 0 | 0 | 0 | 0.0 |
| Natural Resources Trust Fund | 37,601,200 | 0 | (37,601,200) | (100.0) |
| School Aid | 11,220,561,700 | 11,489,854,900 | 269,293,200 | 2.4 |
| State | 82,250,600 | 82,243,200 | (7,400) | (0.01) |
| State Police | 350,819,300 | 346,865,200 | (3,954,100) | (1.1) |
| Strategic Fund Agency | 105,206,200 | 89,749,200 | (15,457,000) | (14.7) |
| Transportation | 2,110,282,600 | 2,122,964,400 | 12,681,800 | 0.6 |
| Treasury (Debt Service) | 96,295,000 | 59,586,400 | (36,708,600) | (38.1) |
| Treasury (Operations) | 306,460,200 | 303,828,300 | (2,631,900) | (0.9) |
| Treasury (Revenue Sharing) | 1,523,600,000 | 1,533,500,000 | 9,900,000 | 0.6 |
| TOTAL APPROPRIATIONS | \$26,081,578,521 | \$26,479,640,985 | \$398,062,464 | 1.5% |

Figure 3

State Spending from State Resources FY 2002-03 Year-To-Date Appropriations

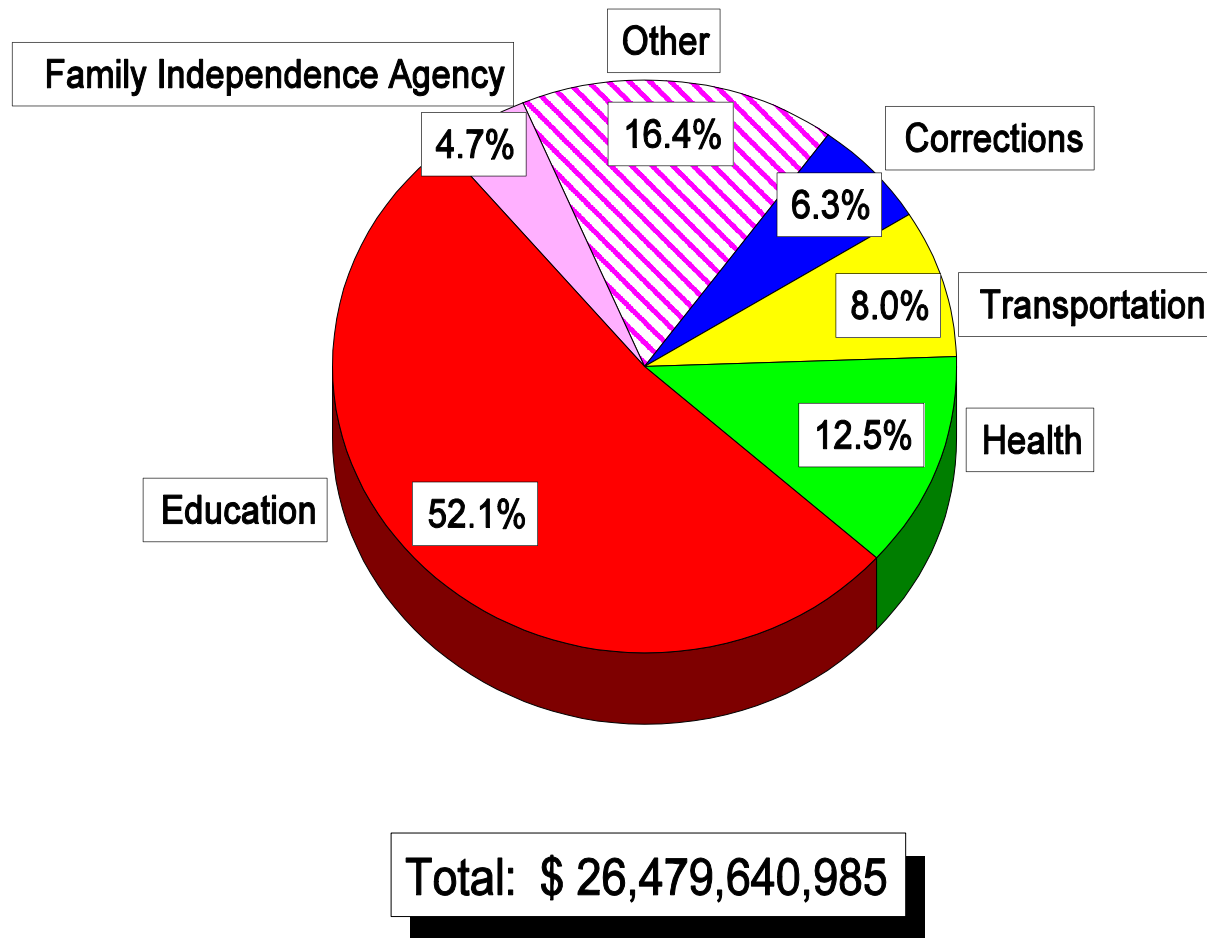


Table D

| GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS FY 2001-02 VERSUS FY 2002-03 (Actual Dollars) | | | | |
|---|--|--|----------------------|-------------------|
| Department/Budget Area | FY 2001-02 Year-to-Date Appropriations | FY 2002-03 Year-to-Date Appropriations | Dollar Difference | Percent Change |
| Agriculture | \$41,631,000 | \$39,077,500 | (\$2,553,500) | (6.1)% |
| Attorney General | 35,475,300 | 33,767,600 | (1,707,700) | (4.8) |
| Capital Outlay | 293,253,900 | 304,309,900 | 11,056,000 | 3.8 |
| Career Development | 28,602,700 | 27,782,700 | (820,000) | (2.9) |
| Civil Rights | 14,333,000 | 13,433,700 | (899,300) | (6.3) |
| Civil Service | 10,656,340 | 10,016,900 | (639,440) | (6.0) |
| Community Colleges | 319,867,419 | 319,732,319 | (135,100) | (0.04) |
| Community Health | 2,498,215,800 | 2,540,198,900 | 41,983,100 | 1.7 |
| Consumer and Industry Services | 37,896,700 | 35,976,300 | (1,920,400) | (5.1) |
| Corrections | 1,599,453,900 | 1,620,267,000 | 20,813,100 | 1.3 |
| Education | 32,765,900 | 29,021,700 | (3,744,200) | (11.4) |
| Environmental Quality (Operations) | 83,613,700 | 72,432,500 | (11,181,200) | (13.4) |
| Environmental Quality (CMI Bond) | 0 | 0 | 0 | 0.0 |
| Executive | 5,480,900 | 5,399,500 | (81,400) | (1.5) |
| Family Independence Agency | 1,170,780,800 | 1,176,991,300 | 6,210,500 | 0.5 |
| Higher Education | 1,812,668,516 | 1,812,271,316 | (397,200) | (0.02) |
| History, Arts and Libraries | 64,920,600 | 60,896,600 | (4,024,000) | (6.2) |
| Judiciary | 175,223,900 | 176,999,300 | 1,775,400 | 1.0 |
| Legislature | 122,359,200 | 121,802,200 | (557,000) | (0.5) |
| Management & Budget | 43,868,200 | 44,036,300 | 168,100 | 0.4 |
| Military and Veteran Affairs | 40,346,100 | 40,082,600 | (263,500) | (0.7) |
| Natural Resources (Operations) | 45,313,100 | 43,824,300 | (1,488,800) | (3.3) |
| Natural Resources (CMI Bond) | 0 | 0 | 0 | 0.0 |
| Natural Resources Trust Fund | 0 | 0 | 0 | 0.0 |
| School Aid | 198,413,500 | 198,413,500 | 0 | 0.0 |
| State | 17,798,700 | 16,969,000 | (829,700) | (4.7) |
| State Police | 293,870,000 | 287,048,300 | (6,821,700) | (2.3) |
| Strategic Fund Agency | 60,156,200 | 44,699,200 | (15,457,000) | (25.7) |
| Transportation | 0 | 0 | 0 | 0.0 |
| Treasury (Debt Service) | 96,295,000 | 59,586,400 | (36,708,600) | (38.1) |
| Treasury (Operations) | 54,491,000 | 51,594,400 | (2,896,600) | (5.3) |
| Treasury (Revenue Sharing) | 0 | 9,900,000 | 9,900,000 | 100.0 |
| TOTAL APPROPRIATIONS | \$9,197,751,375 | \$9,196,531,235 | (\$1,220,140) | (0.01)% |

Figure 4

General Fund/General Purpose FY 2002-03 Year-To-Date Appropriations

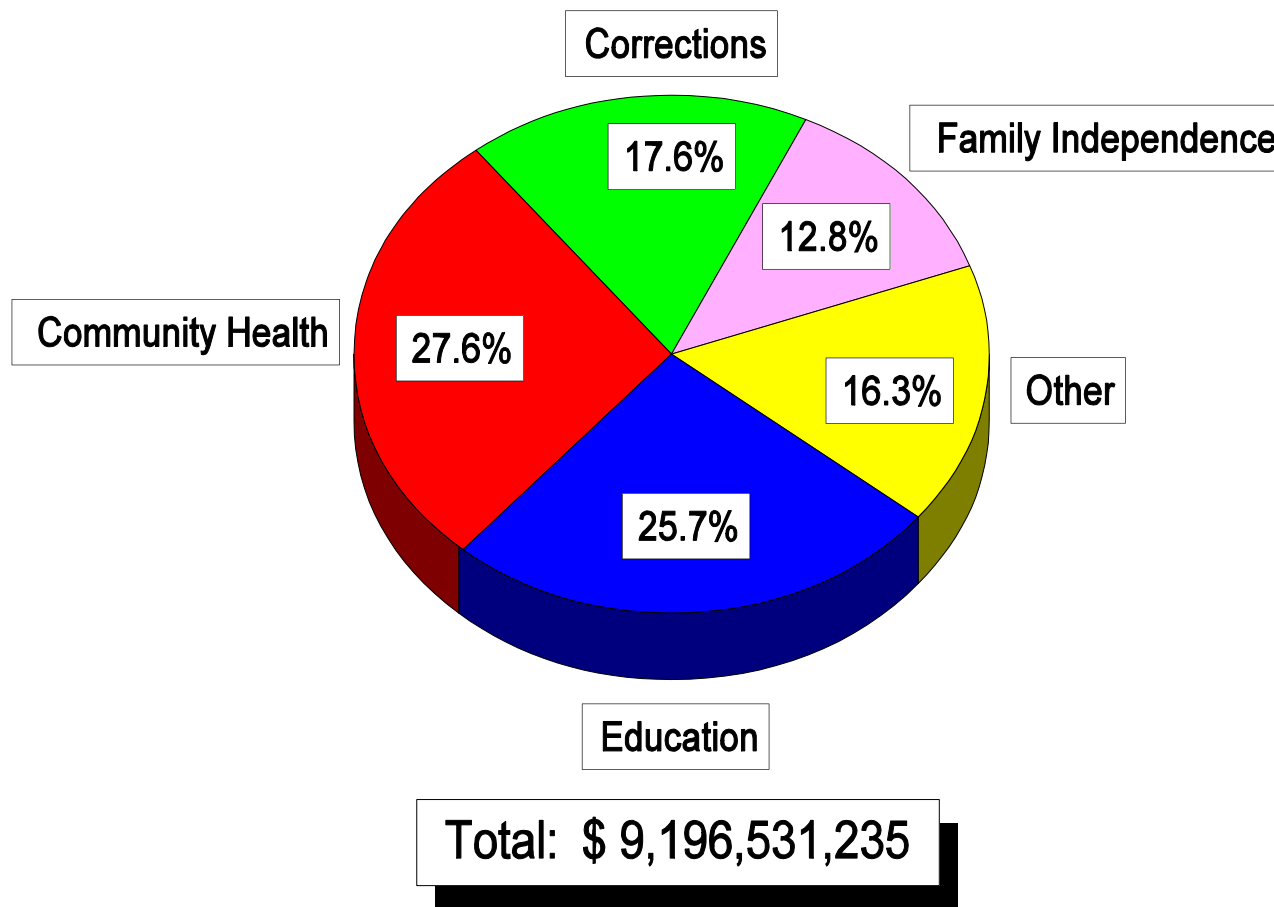


Table E

| FY 2002-03 STATE BUDGET LINE-ITEM VETOES (Actual Dollars) | | |
|--|-----------------------|--|
| Department/Item | Adjusted Gross | General Fund/ General Purpose |
| Agriculture | | |
| Farmland and Open Space Preservation | \$ 50,000 | \$ 0 |
| Fairs and Festival Promotion | 60,000 | 0 |
| Horse Racing Grants | 10,118,000 | 0 |
| Office of Racing Commissioner | 3,747,700 | 0 |
| Capital Outlay | | |
| State Building Authority Planning Grants | 1,900 | 1,900 |
| Community Health | | |
| Long-Term Care Services | 1,225,927,400 | 383,399,900 |
| Home and Community Based Waiver | 126,000,000 | 56,170,800 |
| Personal Care Services | 20,816,200 | 9,279,900 |
| Adult Home Health | 187,387,800 | 83,537,500 |
| Health Maintenance Organizations | 1,581,188,600 | 608,893,900 |
| Salvation Army/Harbor Light Program | 4,551,400 | 1,689,400 |
| Community Mental Health Service Providers | 17,674,200 | 8,837,100 |
| Community Mental Health Multicultural Services | 2,500,000 | 2,500,000 |
| Community Mental Health Assessments | 188,027,600 | 0 |
| Meningitis Prevention Fund | 334,100 | 0 |
| Bioterrorism Funding to Hospitals | 3,400,000 | 0 |
| Transmission of Animal Airborne Diseases | 100 | 100 |
| Battle Creek Diabetes and Kidney Program | 50,000 | 50,000 |
| Child Advocacy Centers | 1,100,000 | 0 |
| School District Health Center Training | 200,000 | 0 |
| Hospital Medicaid Payments | 6,000,000 | 2,674,800 |
| Hospital Transitional Services Fund | 1,000,000 | 1,000,000 |
| Consumer and Industry Services | | |
| Fire Protection Grants | 7,421,000 | 3,700,000 |
| Community Action Agencies | 3,000,000 | 0 |
| Education | | |
| Toll-Free Antiviolence Hotline | 50,000 | 50,000 |
| School Health Services Consultant | 52,300 | 14,900 |
| Environmental Quality | | |
| Arsenic Testing Program | 500,000 | 0 |
| Beach Signs | 20,000 | 0 |

| FY 2002-03 STATE BUDGET LINE-ITEM VETOES (Actual Dollars) | | |
|--|------------------------|----------------------------------|
| Department/Item | Adjusted Gross | General Fund/ General Purpose |
| Family Independence Agency | | |
| Created for Caring Program | \$150,000 | \$ 0 |
| Foster Care and Adoption Support Services | 872,400 | 431,100 |
| Day Care Pilot Program | 100,000 | 0 |
| Juvenile Justice Day Treatment Contracts | 1,000,000 | 1,000,000 |
| Higher Education | | |
| Michigan Molecular Institute | 236,900 | 236,900 |
| Spring Arbor University Prison Education Program | 135,300 | 135,300 |
| Judiciary | | |
| Legal Aid Debt Management Loan Program | 250,000 | 0 |
| Natural Resources | | |
| Purchased Lands Property Tax Payments | 1,897,600 | 0 |
| State | | |
| Vertical Drivers License ¹⁾ | 1,000,000 | 0 |
| State Police | | |
| Grant to the City of Detroit | 721,100 | 721,100 |
| Cooperative Feasibility Study | 25,000 | 0 |
| Aeronautics Safety Officer | 21,000 | 0 |
| Strategic Fund Agency | | |
| Northeastern Michigan Tourism Promotion | 25,000 | 25,000 |
| Transportation | | |
| Local Federal Bridge Funding | 24,000,000 | 0 |
| Specific Transportation Projects | 9,260,000 | 0 |
| Aeronautics Safety Officer | 21,000 | 0 |
| Treasury | | |
| Statutory Revenue Sharing Payments ¹⁾ | 844,170,000 | 0 |
| Revenue Sharing Hold Harmless Payments ¹⁾ | 9,900,000 | 9,900,000 |
| Total Line-Item Vetoes | \$4,284,963,600 | \$1,174,249,600 |
| Total Line-Item Vetoes After Override | \$3,429,893,600 | \$1,164,349,600 |
| 1) Governor's veto overridden by the Legislature on August 13, 2002. | | |

Table F

| FEE INCREASES INCLUDED IN ENACTED FY 2002-03 BUDGET (Actual Dollars) | | |
|---|---|--|
| Department/Budget Area | Type of Fee | Fee Revenue Included in FY 2002-03 Budget |
| Agriculture | Pesticide Control Fees | \$60,000 |
| Corrections | Civil Infraction Assessments | 1,500,000 |
| | Parole/Probation Oversight Fees | 343,800 |
| Environmental Quality | Septage Waste Fees | 1,550,000 |
| State Police | Civil Infraction Assessments | 1,000,000 |
| | Fingerprint Processing Fees | 346,000 |
| | Criminal History Background Check Fees | 297,500 |
| | Private Detective/Security Guard License Fees | 50,000 |
| TOTAL FEE INCREASES | | \$5,147,300 |

Table G

| TOBACCO SETTLEMENT APPROPRIATIONS FY 2002-03 ENACTED BUDGET (Actual Dollars) | |
|---|----------------------|
| Merit Award Trust Fund | |
| Department/Program | |
| Community Colleges | |
| Postsecondary Access Student Scholarship | \$2,000,000 |
| Higher Education | |
| Merit Award Scholarships | 114,300,000 |
| Nursing Scholarship Program | 4,000,000 |
| Tuition Incentive Program | 5,250,000 |
| Department of Treasury | |
| Michigan Education Assessment Program | 16,321,500 |
| Merit Award Board | 2,200,000 |
| Tuition Incentive Program Administration | 369,100 |
| Michigan Education Savings Program | 1,000,000 |
| Lapse to General Fund | 100,000,000 |
| Total Merit Award Trust Fund Appropriations | \$245,440,600 |
| Tobacco Settlement Trust Fund | |
| Department/Program | |
| Department of Attorney General | |
| Legal Services | 351,800 |
| Department of Career Development | |
| Council of Michigan Foundations | \$4,000,000 |
| Department of Community Health | |
| Senior Prescription Drug Program | 30,000,000 |
| Personal Needs Allowance | 5,000,000 |
| Long-Term Care Health Advisor | 800,000 |
| Respite Care Services | 5,000,000 |
| Medicaid Base Funding | 30,000,000 |
| Higher Education | |
| Michigan State University-Rare Isotope Accelerator | 2,000,000 |
| Strategic Fund Agency | |
| Health Research/Development (Life Sciences) | 45,000,000 |
| Total Tobacco Settlement Trust Fund Appropriations | \$122,151,800 |
| Total Tobacco Settlement Appropriations | \$367,592,400 |

Table H

| FY 2002-03 GENERAL FUND/GENERAL PURPOSE REVENUES, EXPENDITURES AND YEAR-END BALANCES (millions of dollars) | |
|---|---------------------|
| | SFA Estimate |
| Revenues: | |
| Beginning Balance | \$114.5 |
| Consensus Revenue Estimate | 8,404.2 |
| Budget Stabilization Fund Withdrawal | 207.0 |
| Merit Award Trust Fund Withdrawal | 100.0 |
| Cap Revenue Sharing at FY 2001-02 Level | 120.6 |
| Liquor Purchase Revolving Fund-Fire Protection Grant Veto | 3.7 |
| Pause Single Business Tax Rollback | 87.3 |
| Raise Filing Threshold for Single Business Tax | (18.5) |
| Increase Tobacco Products Tax | 140.2 |
| Homestead Property Tax Shift to General Funds | 50.0 |
| Unemployment Agency Funding Transfer to General Fund | 10.0 |
| Diesel Equity and Simplification Proposal | 3.0 |
| Total Estimated Revenues | \$9,222.0 |
| Expenditures: | |
| Enrolled Appropriations | \$10,361.1 |
| Governor's Vetoes | (1,164.4) |
| Capital Outlay (PA 530 and PA 560 of 2002) | (0.2) |
| Projected Appropriation Lapses | 0.0 |
| Total Estimated Expenditures | \$9,196.5 |
| Projected Year-End Balance | \$25.5 |

Table I

| FY 2002-03 SCHOOL AID FUND REVENUES, EXPENDITURES AND YEAR-END BALANCES (Millions of Dollars) | |
|--|---------------------|
| | SFA Estimate |
| Revenues: | |
| Beginning Balance | \$215.2 |
| Baseline Consensus Revenue Estimate | 10,565.7 |
| Non-Baseline Consensus Revenue Adjustments | (31.6) |
| Diesel Fuel Equity and Simplification | 1.5 |
| State Property Tax Collection Date Change | 474.3 |
| Cigarette Tax Increase | 119.8 |
| Lottery-Sunday Draw | 27.0 |
| General Fund/General Purpose Grant | 198.4 |
| Budget Stabilization Fund Withdrawal (Durant) | 32.0 |
| Local Revenues | 0.7 |
| Federal Aid | 1,219.8 |
| Total Revenues | \$12,822.8 |
| Expenditures: | |
| Enacted Appropriations (PA 121 of 2001) | \$8,128.4 |
| Supplemental Appropriations (PA 191 of 2002) | 4,563.5 |
| Supplemental Appropriations (PA 521 of 2002) | 18.5 |
| Projected Appropriation Lapses | 0.0 |
| Total Expenditures | \$12,710.4 |
| Projected Year-End Balance | \$112.4 |

Table J

| FULL-TIME EQUATED POSITIONS FY 2001-02 VERSUS FY 2002-03 | | | | |
|---|--|--|----------------------------|---------------------------|
| Department/Budget Area | FY 2001-02 Year-to-Date Positions | FY 2002-03 Year-to-Date Positions | Position Change | Percent Change |
| Agriculture | 647.5 | 629.5 | (18.0) | (2.8)% |
| Attorney General | 595.0 | 586.5 | (8.5) | (1.4) |
| Career Development | 1,141.0 | 1,089.0 | (52.0) | (4.6) |
| Civil Rights | 166.5 | 158.5 | (8.0) | (4.8) |
| Civil Service | 230.5 | 201.5 | (29.0) | (12.6) |
| Community Colleges | 0.0 | 0.0 | 0.0 | 0.0 |
| Community Health | 6,201.1 | 5,674.3 | (526.8) | (8.5) |
| Consumer and Industry Services | 4,175.4 | 3,948.9 | (226.5) | (5.4) |
| Corrections | 19,390.5 | 18,827.9 | (562.6) | (2.9) |
| Education | 455.0 | 436.1 | (18.9) | (4.2) |
| Environmental Quality | 1,672.7 | 1,590.7 | (82.0) | (4.9) |
| Executive | 75.0 | 74.2 | (0.8) | (1.1) |
| Family Independence Agency | 13,499.6 | 12,495.1 | (1,004.5) | (7.4) |
| Higher Education | 1.0 | 1.0 | 0.0 | 0.0 |
| History, Arts and Libraries | 139.7 | 241.5 | 101.8 | 72.9 |
| Information Technology | 0.0 | 1,765.4 | 1,765.4 | N/A |
| Judiciary | 591.5 | 582.5 | (9.0) | (1.5) |
| Legislature | 0.0 | 0.0 | 0.0 | 0.0 |
| Management & Budget | 919.5 | 848.5 | (71.0) | (7.7) |
| Military and Veteran Affairs | 1,083.5 | 1,072.0 | (11.5) | (1.1) |
| Natural Resources (Operations) | 2,177.5 | 2,075.5 | (102.0) | (4.7) |
| School Aid | 0.0 | 0.0 | 0.0 | 0.0 |
| State | 1,973.3 | 1,847.8 | (125.5) | (6.4) |
| State Police | 3,648.5 | 3,445.5 | (203.0) | (5.6) |
| Strategic Fund Agency | 234.0 | 231.5 | (2.5) | (1.1) |
| Transportation | 3,176.3 | 3,069.3 | (107.0) | (3.4) |
| Treasury (Operations) | 1,852.5 | 1,852.5 | 0.0 | 0.0 |
| Total Positions | 64,047.1 | 62,745.2 | (1,301.9) | (2.0)% |

Figure 5

Full-Time Equated Positions FY 2002-03 Year-To-Date Appropriations

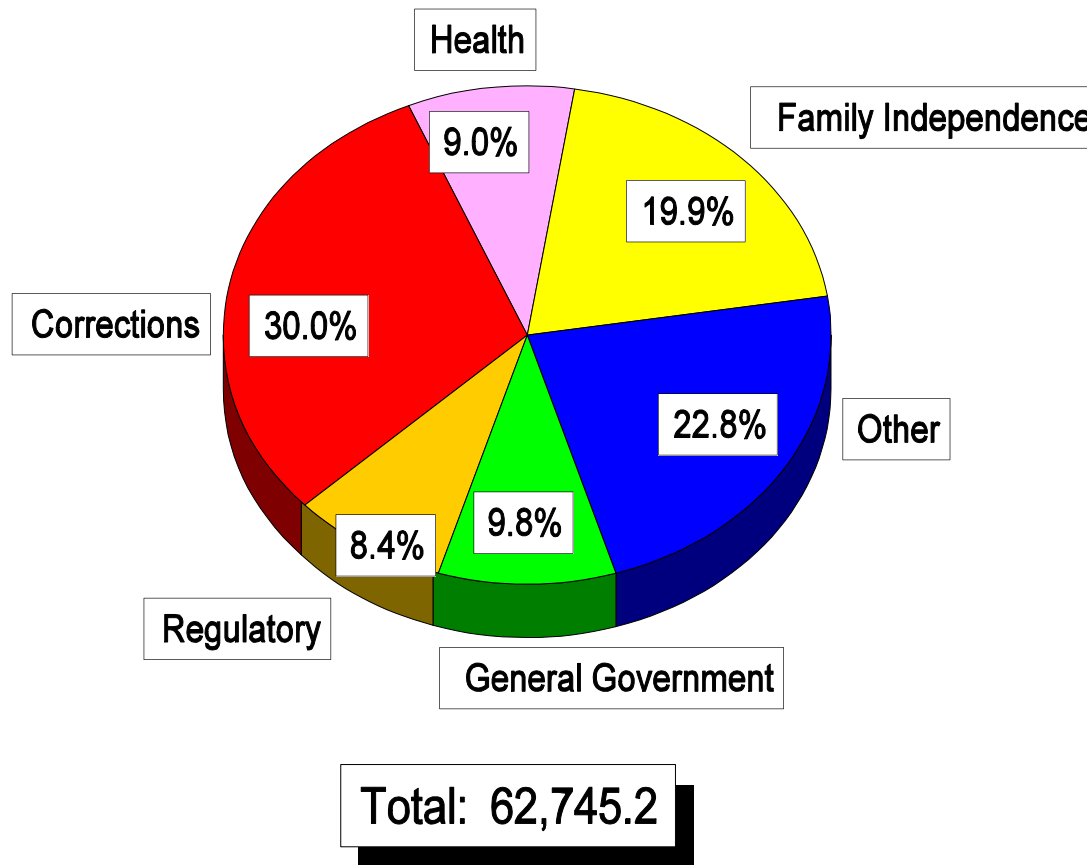


Table K

| STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT ARTICLE IX, SECTION 30 REQUIREMENT (Millions of Dollars) | | |
|---|-----------------------------|-----------------------------|
| | 2001-02 Estimate | 2002-03 Estimate |
| State Spending from State Resources ¹⁾ | \$26,051.6 | \$26,449.6 |
| Required Payments to Local Units of Government (48.97%) | \$12,757.5 | \$12,952.4 |
| Estimated Payments to Local Units of Government | \$15,867.1 | \$16,205.3 |
| Estimated Payments as a Percentage of Total State Spending | 60.91% | 61.27% |
| Surplus of Section 30 Payments | \$3,109.6 | \$3,252.9 |
| ¹⁾ Excludes \$30.0 million of unrestricted Federal aid. | | |

Table L

| STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT FY 2001-02 VERSUS FY 2002-03 (Actual Dollars) | | | | |
|--|---|---|------------------------------|---------------------------|
| Department/Budget Area | FY 2001-02 Year-to-Date Appropriations | FY 2002-03 Year-to-Date Appropriations | Dollar Difference | Percent Change |
| Agriculture | \$3,754,400 | \$3,754,400 | \$0 | 0.0% |
| Attorney General | 0 | 0 | 0 | 0.0 |
| Capital Outlay | 34,726,500 | 17,425,000 | (17,301,500) | (49.8) |
| Career Development | 0 | 0 | 0 | 0.0 |
| Civil Rights | 0 | 0 | 0 | 0.0 |
| Civil Service | 0 | 0 | 0 | 0.0 |
| Community Colleges | 319,867,419 | 319,732,319 | (135,100) | (0.04) |
| Community Health | 997,238,400 | 1,085,117,300 | 87,878,900 | 8.8 |
| Consumer and Industry Services | 19,921,000 | 12,500,000 | (7,421,000) | (37.3) |
| Corrections | 81,843,800 | 78,221,300 | (3,622,500) | (4.4) |
| Education | 14,649,200 | 16,436,800 | 1,787,600 | 12.2 |
| Environmental Quality (Operations) | 5,075,000 | 15,547,500 | 10,472,500 | 206.4 |
| Environmental Quality (CMI Bond) | 0 | 0 | 0 | 0.0 |
| Executive | 0 | 0 | 0 | 0.0 |
| Family Independence Agency | 173,288,400 | 207,056,200 | 33,767,800 | 19.5 |
| Higher Education | 4,050,073 | 4,029,061 | (21,012) | 0.0 |
| History, Arts, and Libraries | 32,425,000 | 32,568,200 | 143,200 | 0.0 |
| Judiciary | 112,785,600 | 113,428,100 | 642,500 | 0.6 |
| Legislature | 0 | 0 | 0 | 0.0 |
| Management & Budget | 0 | 0 | 0 | 0.0 |
| Military and Veteran Affairs | 120,000 | 120,000 | 0 | 0.0 |
| Natural Resources (Operations) | 22,587,900 | 23,852,400 | 1,264,500 | 5.6 |
| Natural Resources (CMI Bond) | 0 | 0 | 0 | 0.0 |
| Natural Resources Trust Fund | 19,749,200 | 0 | (19,749,200) | (100.0) |
| School Aid | 11,181,789,800 | 11,439,469,500 | 257,679,700 | 2.3 |
| State | 69,800 | 69,800 | 0 | 0.0 |
| State Police | 19,905,000 | 19,247,000 | (658,000) | (3.3) |
| Strategic Fund Agency | 21,000,000 | 9,009,400 | (11,990,600) | 0.0 |
| Transportation | 1,181,744,000 | 1,176,250,300 | (5,493,700) | (0.5) |
| Treasury (Debt Service) | 0 | 0 | 0 | 0.0 |
| Treasury (Operations) | 96,872,600 | 97,980,100 | 1,107,500 | 1.1 |
| Treasury (Revenue Sharing) | 1,523,600,000 | 1,533,500,000 | 9,900,000 | 0.6 |
| TOTAL APPROPRIATIONS | \$15,867,063,092 | \$16,205,314,680 | \$338,251,588 | 2.1% |

BUDGET AREA DETAIL

**DEPARTMENT OF AGRICULTURE
P.A. 516 of 2002**

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|--------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 647.5 | 629.5 | 629.5 | (18.0) | (2.8) |
| GROSS | 100,701,700 | 97,454,200 | 95,730,800 | (4,970,900) | (4.9) |
| Less: | | | | | |
| Interdepartmental Grants Received | 12,238,100 | 10,953,800 | 10,953,800 | (1,284,300) | (10.5) |
| ADJUSTED GROSS | 88,463,600 | 86,500,400 | 84,777,000 | (3,686,600) | (4.2) |
| Less: | | | | | |
| Federal Funds | 6,957,000 | 6,639,500 | 6,639,500 | (317,500) | (4.6) |
| Local and Private | 1,121,900 | 1,127,600 | 1,127,600 | 5,700 | 0.5 |
| TOTAL STATE SPENDING | 80,384,700 | 78,733,300 | 77,009,900 | (3,374,800) | (4.2) |
| Less: | | | | | |
| Other State Restricted Funds | 38,753,700 | 37,932,400 | 37,932,400 | (821,300) | (2.1) |
| GENERAL FUND/GENERAL PURPOSE .. | 41,631,000 | 40,800,900 | 39,077,500 | (2,553,500) | (6.1) |
| PAYMENTS TO LOCALS | 3,754,400 | 3,854,400 | 3,754,400 | 0 | 0.0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. FEDERAL FUNDING

The budget includes additional Federal resources to support enhanced pesticide residue monitoring and microbiological testing in the Laboratory Division. Additional Federal support also is included for antimicrobial testing associated with food-borne pathogens.

| | |
|---------|-----------|
| FTE | 8.0 |
| Gross | 1,052,700 |
| Federal | 1,052,700 |
| GF/GP | 0 |

B. MICHIGAN STATE FAIR

The budget reduces restricted revenue authorization to the Michigan State Fair to reflect resource availability.

| | |
|------------|-----------|
| Gross | (900,000) |
| Restricted | (900,000) |
| GF/GP | 0 |

C. STAFF REDUCTIONS

The budget includes a reduction of 9.0 FTEs and the associated funding in order to fund the employee-related standard economic increases.

| | |
|-------|-----------|
| FTE | (9.0) |
| Gross | (537,100) |
| GF/GP | (537,100) |

D. UNDESIGNATED EARLY RETIREMENT SAVINGS

The budget includes net GF/GP savings associated with the 2002 early retirement program for State employees. A total of 76 Department of Agriculture employees participated in the program, while the Department was restricted to a retirement/re-hire ratio of 4 to 1, for a total replacement of 19 positions. These savings will be applied to the appropriate line items via legislative transfers based on Department priority-setting.

| | |
|-------|-------------|
| Gross | (1,315,500) |
| GF/GP | (1,315,500) |

E. UNDESIGNATED BUDGETARY SAVINGS

The budget includes undesignated GF/GP savings of \$408,000 to be applied to the appropriate line items via legislative transfers.

| | |
|-------|-----------|
| Gross | (408,000) |
| GF/GP | (408,000) |

F. PROGRAM TRANSFER

The budget transfers 15.0 FTEs to the new Department of Information Technology. The budget also consolidates information technology funding (totaling \$1,907,300 Gross and \$1,639,300 GF/GP), previously dispersed throughout the budget, in a new appropriation unit. This funding will be used to pay for user charges assessed by the new Department for services provided to the Michigan Department of Agriculture.

| | |
|-----|--------|
| FTE | (15.0) |
|-----|--------|

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

G. FEE INCREASE

The budget includes various fee increases in the Pesticide Program to support enhanced regulatory oversight and compliance with applicable rules and regulations. The FY 2001-02 budget includes estimated revenue of \$225,000 from these fee increases under the Pesticide Control Act. The FY 2002-03 budget includes authorization to spend an additional \$60,000 above the original amount for a total of \$285,000. Authorization for the fee increases is contained in Public Act 418 of 2002.

| | |
|------------|--------|
| Gross | 60,000 |
| Restricted | 60,000 |
| GF/GP | 0 |

H. UNCLASSIFIED SALARIES

The budget includes a 2% increase to the line that funds the salaries of the Department's six unclassified positions.

| | |
|------------|-------|
| Gross | 9,700 |
| Restricted | 1,500 |
| GF/GP | 8,200 |

I. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, lump sum payments, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

| | |
|------------|---------|
| Gross | 820,200 |
| IDG | 3,500 |
| Federal | 5,300 |
| Private | 5,700 |
| Restricted | 64,500 |
| GF/GP | 741,200 |

| Item | Gross | GF/GP |
|----------------------------|-----------|-----------|
| Salaries | \$656,700 | \$539,000 |
| Retirement | 20,300 | 17,000 |
| Lump Sum Payments | (212,100) | (170,100) |
| Building Occupancy Charges | 212,300 | 212,300 |
| Workers' Compensation | 143,000 | 143,000 |
| Total | \$820,200 | \$741,200 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

J. OTHER ISSUES

The budget includes various other adjustments: a reduction to reflect the end of the required payouts associated with the 1997 early retirement program, administrative savings in the Communications/Marketing Division, funding shifts to replace GF/GP dollars with equal amounts of restricted revenue, changes to reflect available restricted revenue, elimination of GF/GP support for the Upper Peninsula State Fair, and adjustments to account for mid-year contingency fund transfers and the one-time supplemental appropriation for indemnification payments.

| | |
|------------|-------------|
| Gross | (2,691,000) |
| IDG | (1,157,800) |
| Federal | (1,375,500) |
| Restricted | 884,600 |
| GF/GP | (1,042,300) |

The enacted budget includes GF/GP reductions to three line items: local conservation districts (\$488,600), Food Bank Council of Michigan (\$158,200), and horse shows (\$23,300). Pursuant to boilerplate Section 225, these reductions are to be restored if the tax on cigarettes under the Tobacco Products Tax Act is increased by 30 cents or more per pack on or before September 30, 2002. Public Act 503 of 2002 increased the tax on cigarettes under the Tobacco Products Tax Act by 50 cents, thus restoring the funding to these appropriations and returning the items to their FY 2001-02 GF/GP levels.

K. VETOES

1. Farmland and Open Space Preservation

The Governor vetoed a new appropriation of \$50,000 Gross from the Environmental Protection Fund that was intended to cover the required State payments to local units of government under the Farmland and Open Space Preservation Program.

2. Fairs and Festival Promotion

The Governor vetoed a new appropriation of \$60,000 Gross from the State Services Fee Fund that was intended to provide statewide volunteer training and promotion of commodities.

| | | FY 2002-03 Change from FY 2001-02 Year-to-Date |
|--|------------|---|
| 3. Agriculture Equine Industry Development Fund | | |
| | FTE | (2.0) |
| | Gross | (1,061,900) |
| | Restricted | (1,061,900) |
| | GF/GP | 0 |
| <p>The total level of appropriations from the Fund was reduced from the current year-to-date level of \$13,478,900 to \$1,151,300. The Governor vetoed the restricted funding for all 13 horse racing grants funded by the Agriculture Equine Industry Development Fund in the Conference Committee Report, totaling \$10,118,000.</p> <p>The Governor also vetoed an appropriation from the Fund to the Office of Racing Commissioner (\$1,147,700). In his veto message, the Governor indicated that he did not support enhancements from the Fund that resulted from the additional State Services Fee Fund resources included in the Conference Committee Report (described below).</p> <p>The remaining reduction in appropriations from current-year levels (\$1,061,900) is the result of decreased revenue availability in the Fund. Previous-year appropriations were supported, in part, by carryforward balances in the Fund.</p> <p>Public Act 560 of 2002 restored funding for 12 of the 13 line items vetoed by the Governor. The funding for these grants and the Office of Racing Commissioner was restored at the Governor's original recommended levels. Thus, the only reduction from current year is \$1,061,900 associated with revenue availability.</p> | | |

4. State Services Fee Fund

The enrolled bill included an additional \$1,300,000 appropriation from the State Services Fee Fund to the Office of Racing Commissioner (ORC). This funding was used to replace an equal amount of funding from the Agriculture Equine Industry Development Fund, which was distributed proportionately to the various horse racing programs based on FY 2001-02 enacted levels. The State Services Fee Fund receives the annual assessments from the three Detroit casinos.

The Governor vetoed the additional \$1,300,000, indicating that he did not support additional appropriations from the Fund to the ORC. The veto of the entire ORC line item effectively eliminated all funding for that Office (\$2,600,000 State Services Fee Fund and \$1,147,700 Agriculture Equine Industry Development Fund).

The veto of the Office of Racing Commissioner line item was restored to the Governor's recommended level of \$3,641,900 (\$1,300,000 State Services Fee Fund and \$2,341,900 Agriculture Equine Industry Development Fund) in Public Act 560 of 2002.

**DEPARTMENT OF ATTORNEY GENERAL
P.A. 528 of 2002**

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|--------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 595.0 | 583.5 | 586.5 | (8.5) | (1.4) |
| GROSS | 63,653,400 | 62,838,800 | 61,757,600 | (1,895,800) | (3.0) |
| Less: | | | | | |
| Interdepartmental Grants Received | 9,756,900 | 9,917,900 | 9,917,900 | 161,000 | 1.7 |
| ADJUSTED GROSS | 53,896,500 | 52,920,900 | 51,839,700 | (2,056,800) | (3.8) |
| Less: | | | | | |
| Federal Funds | 8,377,700 | 7,672,700 | 7,672,700 | (705,000) | (8.4) |
| Local and Private | 1,171,600 | 1,183,000 | 1,183,000 | 11,400 | 1.0 |
| TOTAL STATE SPENDING | 44,347,200 | 44,065,200 | 42,984,000 | (1,363,200) | (3.1) |
| Less: | | | | | |
| Other State Restricted Funds | 8,871,900 | 8,864,600 | 9,216,400 | 344,500 | 3.9 |
| GENERAL FUND/GENERAL PURPOSE .. | 35,475,300 | 35,200,600 | 33,767,600 | (1,707,700) | (4.8) |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0.0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

| | | | |
|-----------|--|------------|-------------|
| A. | 1997 EARLY RETIREMENT ADJUSTMENTS | Gross | (159,900) |
| | The budget includes a reduction to reflect the end of the five-year payouts of sick leave related to employees who retired under the 1997 early retirement legislation. | Federal | (37,100) |
| | | Restricted | (31,000) |
| | | GF/GP | (91,800) |
| B. | STAFF REDUCTIONS | FTE | (4.5) |
| | Positions are reduced to offset General Fund employee-related economic costs. | Gross | (286,600) |
| | | GF/GP | (286,600) |
| C. | TOBACCO SETTLEMENT TRUST FUND | FTE | 3.0 |
| | The Legislature included positions and funding based on the Department of Attorney General's continuing legal services associated with the Tobacco Master Settlement Agreement. | Gross | 351,800 |
| | | Restricted | 351,800 |
| | | GF/GP | 0 |
| D. | EARLY RETIREMENT SAVINGS | Gross | (1,081,100) |
| | The budget includes reductions based on the impact of early retirement legislation (Public Act 93 of 2002). Fifty-seven Department of Attorney General employees retired under the 2002 early retirement program. The budget reductions reflect the net savings from the replacement of 14.25 FTE positions. Appropriation authorization adjustments required due to negative appropriations for early retirement savings will be made by legislative transfers pursuant to Section 393(2) of the Management and Budget Act. | GF/GP | (1,081,100) |
| E. | BUDGETARY SAVINGS | Gross | (357,500) |
| | The budget includes a negative line item appropriation based on a 1% reduction to the Governor's General Fund recommended level of funding due to the May Consensus Revenue Estimating Conference and Leadership Agreement. Appropriation authorization adjustments required due to negative appropriations for budgetary savings will be made by legislative transfers pursuant to Section 393(2) of the Management and Budget Act. | GF/GP | (357,500) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. PROGRAM TRANSFERS

FTE (7.0)

The budget creates a new Information Technology appropriation unit for the Department of Attorney General. It includes \$878,200 transferred from the operations line item. This funding also is appropriated as an interdepartmental grant from user fees in the new Department of Information Technology, which was created by Executive Order 2001-03. Seven positions are transferred to the new Department from the Department of Attorney General.

G. UNCLASSIFIED SALARIES

1. Attorney General's Salary. Pursuant to the Michigan Constitution, the Attorney General's salary cannot be increased during his or her term of office. Any change to the current salary must be effective on January 1, 2003. The Legislature increased the Attorney General's salary from \$124,900 to \$135,500 effective January 1, 2003. The annual full-year adjustment is \$10,600.

Gross 8,000
GF/GP 8,000

2. Unclassified Positions. The line item that funds 5.0 FTE unclassified positions was increased from \$467,000 to \$476,300 (2.0%).

Gross 9,300
GF/GP 9,300

H. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

Gross 373,100
IDG 161,000
Federal 85,000
Private 11,400
Restricted 23,700
GF/GP 92,000

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

| Item | Gross | GF/GP |
|----------------------------|-----------|-----------|
| Salaries | \$751,200 | \$387,700 |
| Retirement | 59,000 | 27,700 |
| Lump Sum Adjustment | (211,700) | (136,600) |
| Workers' Compensation | (4,000) | (4,000) |
| Building Occupancy Charges | (25,500) | (25,500) |
| Rent | (195,900) | (157,300) |
| Total | \$373,100 | \$92,000 |

I. OTHER ISSUES

The budget reflects adjustments due to FY 2001-02 contingency fund transfers that were approved subsequent to enactment of the FY 2002-03 budget. Contingency fund transfers included program income from Medicaid fraud cases, civil penalties and forfeitures from proceedings initiated by the Money Laundering Task Force, and additional Federal funds based on the actual match rate.

| | |
|---------|-----------|
| Gross | (752,900) |
| Federal | (752,900) |
| GF/GP | 0 |

CAPITAL OUTLAY
P.A. 518 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|---------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | N/A | N/A | N/A | N/A | N/A |
| GROSS | 582,934,900 | 565,269,900 | 577,096,900 | (5,838,000) | (1.0) |
| Less: | | | | | |
| Interdepartmental Grants Received | 7,000,000 | 4,000,000 | 4,000,000 | (3,000,000) | (42.9) |
| ADJUSTED GROSS | 575,934,900 | 561,269,900 | 573,096,900 | (2,838,000) | (0.5) |
| Less: | | | | | |
| Federal Funds | 176,567,000 | 167,542,000 | 167,542,000 | (9,025,000) | (5.1) |
| Local and Private | 42,480,000 | 43,000,000 | 43,000,000 | 520,000 | 1.2 |
| TOTAL STATE SPENDING | 356,887,900 | 350,727,900 | 362,554,900 | 5,667,000 | 1.6 |
| Less: | | | | | |
| Other State Restricted Funds | 63,634,000 | 46,245,000 | 58,245,000 | (5,389,000) | (8.5) |
| GENERAL FUND/GENERAL PURPOSE .. | 293,253,900 | 304,482,900 | 304,309,900 | 11,056,000 | 3.8 |
| PAYMENTS TO LOCALS | 34,726,500 | 17,425,000 | 17,425,000 | (17,301,500) | (49.8) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. FARMLAND AND OPEN SPACE

The budget continues the \$5,000,000 appropriation for the program funded from withdrawal fees, and includes additional Federal funds.

| | |
|------------|---------|
| Gross | 500,000 |
| Federal | 500,000 |
| Restricted | 0 |
| GF/GP | 0 |

B. STATE AGENCY SPECIAL MAINTENANCE

The Governor recommended and the Legislature approved a continuation level of General Fund support for State agency special maintenance projects. There is a \$3,000,000 reduction in maintenance projects financed by State agency building occupancy charges due to reduced appropriations at the user agencies. The budget also eliminates the \$150,000 special maintenance appropriation for the Department of Natural Resources (DNR), and shifts that to the Department of Corrections. The budget provides \$2,077,700 for the Department of Corrections, \$712,500 for the Department of Management and Budget, \$550,000 for the Family Independence Agency, \$500,000 for the Department of Community Health, and \$256,300 for the Department of State Police. Public Act 530 of 2002 created a budgetary savings line for State agency maintenance totaling \$173,200.

| | |
|-------|-------------|
| Gross | (3,173,200) |
| IDG | (3,000,000) |
| GF/GP | (173,200) |

C. DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

The enacted budget reflects an increase in Federal National Guard Bureau funds for armory maintenance projects, and the elimination of the \$500,000 appropriation for land acquisitions and appraisals statewide from the State's armory construction fund. These State restricted revenues are being recommended as a match to additional Federal money included in Public Act 530 of 2002, an FY 2001-02 supplemental for armory construction projects. The enacted budget does not include these one-time projects which totaled \$25,415,000.

| | |
|------------|--------------|
| Gross | (25,233,000) |
| Federal | (20,478,000) |
| Restricted | (4,525,000) |
| Private | (230,000) |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

D. DEPARTMENT OF NATURAL RESOURCES

1. Parks

The budget removes the one-time appropriation for the Haven Hill natural area damage settlement. The \$800,000 annual appropriation for forest roads, bridges, and facilities is transferred from the DNR operating budget to capital outlay. The enacted budget also removes the one-time \$15,500,000 appropriation for infrastructure improvements at Sterling State Park.

| | |
|------------|--------------|
| Gross | (15,500,000) |
| Restricted | (14,700,000) |
| Private | (800,000) |
| GF/GP | 0 |

2. Wildlife and Fisheries

The budget eliminates one-time appropriations for waterfowl and turkey habitat development and acquisition projects funded from private, State restricted (permit fees), and corresponding Federal matching resources. A new \$1,500,000 appropriation for deer habitat development and acquisition projects, financed from the deer range improvement fund, is included. The budget also removes the \$1,000,000 one-time appropriation for two fisheries research vessels.

| | |
|------------|-------------|
| Gross | (4,300,000) |
| Federal | (2,900,000) |
| Restricted | (950,000) |
| Private | (450,000) |
| GF/GP | 0 |

3. Waterways

The enacted budget removes several one-time appropriations for a variety of harbor, boating access site, and marina projects and adds several new projects. The new projects include: \$9,025,000 for the Mackinac Island marina expansion (total project cost \$11,025,000), and \$1,000,000 for a north shore boating access site in Escanaba.

| | |
|------------|-----------|
| Gross | 2,161,000 |
| Federal | 1,600,000 |
| Restricted | 561,000 |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

E. AERONAUTICS PROGRAMS

The budget includes a new proposal recommended by the Governor and adopted by the Legislature that allows the Aeronautics Commission over five years to issue \$60,000,000 in bonds, which will match Federal funds in order to fund the State's new Airport Safety and Protection Plan, ASAP. While the Governor's recommendation did not appropriate the bond proceeds, the enacted budget does. The debt service for the bonds is provided in the Department of Transportation budget, and will be financed by a proposed change in State law that would allow \$6,000,000 (of the estimated \$18,000,000 in annual collections) collected from the existing 30% State airport parking tax imposed on long-term parking at the Detroit Metropolitan Wayne County Airport to go to the State Aeronautics Fund. This money currently goes to Wayne County's general fund.

| | |
|---------------|--------------|
| Gross | 21,278,000 |
| Federal | 21,278,000 |
| Local | 2,000,000 |
| Restricted | 0 |
| Bond Proceeds | 12,000,000 |
| GF/GP | (14,000,000) |

The budget also includes a new \$17,000,000 line item for the new ASAP and an increase of \$6,278,000 for other airport improvement projects. The \$5,000,000 in State General Fund support for airport improvement projects is being eliminated. The final payment of \$12,000,000 for the Northwest Airlines and Detroit Metropolitan Wayne County Airport midfield terminal project is included.

F. DEPARTMENT OF TRANSPORTATION

The budget removes one-time planning authorizations for three new welcome centers at St. Ignace, Monroe, and Dundee (\$425,000) and the one-time construction authorization for the Coldwater welcome center (\$2,750,000). A \$3,000,000 construction authorization for the Monroe welcome center is included. The budget also includes minor funding adjustments to a variety of other maintenance projects at Department maintenance, storage, and repair facilities.

| | |
|------------|-----------|
| Gross | (200,000) |
| Restricted | (200,000) |
| GF/GP | 0 |

G. STATE BUILDING AUTHORITY RENT

The enacted budget includes an increase in rent payments to the State Building Authority to be used to make debt service payments for past building projects for State agencies, colleges, and universities. Total appropriations of \$291,311,700 are included. This appropriation funds 90% of the expected need for rent payments; the difference is anticipated to be made up by delays in construction schedules, and subsequent delays in bond issuances.

| | |
|------------|------------|
| Gross | 25,705,000 |
| Restricted | 475,000 |
| GF/GP | 25,230,000 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

H. PLANNING/CONSTRUCTION AUTHORIZATIONS

| | |
|---------|-------------|
| Gross | (7,075,800) |
| Federal | (7,075,000) |
| GF/GP | (800) |

The enacted budget does not include any new planning or construction authorizations.

An FY 2002-03 supplemental bill (P.A. 560 of 2002) provides construction authorization for the Van Buren Center at Lake Michigan College (total cost \$7,800,000 - State share \$3,900,000, College share \$3,900,000) and for the Center for Integrated Learning and Information Technology project at Michigan Technological University (total cost \$33,838,700 - State share \$25,000,000, University share \$8,838,700).

I. VETOES

The Governor vetoed all 19 planning authorizations included by the Legislature for a variety of building projects at colleges and universities, totaling \$1,900, \$100 for each planning authorization.

DEPARTMENT OF CAREER DEVELOPMENT
P.A. 517 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|---------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 1,141.0 | 1,088.0 | 1,089.0 | (52.0) | (4.6) |
| GROSS | 686,121,600 | 534,318,600 | 461,321,600 | (224,800,000) | (32.8) |
| Less: | | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 686,121,600 | 534,318,600 | 461,321,600 | (224,800,000) | (32.8) |
| Less: | | | | | |
| Federal Funds | 630,699,900 | 472,569,200 | 406,469,200 | (224,230,700) | (35.6) |
| Local and Private | 17,374,500 | 17,408,200 | 17,408,200 | 33,700 | 0.2 |
| TOTAL STATE SPENDING | 38,047,200 | 44,341,200 | 37,444,200 | (603,000) | (1.6) |
| Less: | | | | | |
| Other State Restricted Funds | 9,444,500 | 9,661,500 | 9,661,500 | 217,000 | 2.3 |
| GENERAL FUND/GENERAL PURPOSE .. | 28,602,700 | 34,679,700 | 27,782,700 | (820,000) | (2.9) |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0.0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. GEAR-UP PROGRAM

The bill includes \$3,000,000 in new Federal funding for this program, which encourages at-risk students to stay in school.

| | |
|---------|-----------|
| Gross | 3,000,000 |
| Federal | 3,000,000 |
| GF/GP | 0 |

B. FEDERAL VOCATIONAL REHABILITATION FUNDING

The bill includes Federal funding increases for three different Vocational Rehabilitation programs: \$1,155,800 for Vocational Rehabilitation Services; \$1,000,000 for the Carl D. Perkins Grant; and \$349,700 for the Michigan Career and Technical Institute, as well as \$2,603,900 for administration.

| | |
|---------|-----------|
| Gross | 5,109,400 |
| Federal | 5,109,400 |
| GF/GP | 0 |

C. VOCATIONAL REHABILITATION INDEPENDENT LIVING

The bill includes a \$25,000 GF/GP increase for these centers.

| | |
|-------|--------|
| Gross | 25,000 |
| GF/GP | 25,000 |

D. STAFF REDUCTIONS

The bill includes a reduction of 2.0 FTEs and \$145,300 GF/GP to fund employee-related economic adjustments for the Department.

| | |
|-------|-----------|
| FTE | (2.0) |
| Gross | (145,300) |
| GF/GP | (145,300) |

E. REED ACT FUNDING

As one measure to balance the bill for FY 2001-02 and 2002-03, a one-time Federal fund source has been used to replace General Fund and Temporary Assistance to Needy Families (TANF) dollars in a number of line items in the Department's budget. This one-time funding, called Reed Act funding, was made available under Federal legislation named the Temporary Extended Unemployment Compensation Act of 2002, Public Law No. 107-147, Section 209. This law redistributed funds that are collected at the Federal level in the Unemployment Trust Fund when the accounts in this Fund exceed the statutory cap. Although the statutory cap had been increased in October 2001, which would have delayed the distribution of these funds, Public Law No. 107-147 redistributed the amount that would have been distributed in October, had this cap not been raised. The final amount that was distributed nationally totaled \$8 billion with Michigan's share totaling \$292,000,000. The entire amount was appropriated in the FY 2001-02 supplemental and set aside into various work project accounts that will carry forward into the next two fiscal years (FY 2002-03 and 2003-04). Of this amount \$213,000,000 was appropriated to the Department of Career Development; \$75,000,000 was appropriated to the Department of Consumer and Industry Services; and \$4,000,000 was appropriated to the Department of History, Arts, and Libraries. Below is a description of how these fund will be used.

1. Job Training Subgrantees Line Item

- a. The budget appropriated \$23,800,000 of Reed Act funding to the Job Training Subgrantees line and placed into a work project account for future availability. These funds will be used to support the one-stop center operations and provide computer and infrastructure improvements them. The breakdown of these funds by fiscal year is: \$8,600,000 for FY 2001-02 (which includes a one-time appropriation of \$1,000,000 to update centers for disability accessibility), and \$7,600,000 each for fiscal years FY 2002-03 and 2003-04.
- b. The Reed Act funds will then be used to replace existing Federal Workforce Investment Act funding which will be transferred to the Focus:HOPE and Michigan Virtual University (MVU) line items. The total amount of this transfer is \$6,000,000 (\$5,000,000 for Focus:HOPE and \$1,000,000 for the MVU) for the three fiscal years. These Federal dollars will replace the GF/GP funding in the Focus:HOPE line.

| | |
|---------|--------------|
| Gross | (23,800,000) |
| Federal | (23,800,000) |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

- c. The \$1,000,000 GF/GP funding in the Job Training Programs Subgrantees line that was being used to fund administrative costs in the one-stop centers will be replaced with Reed Act funding, as described in item A, above.

2. Welfare to Work Line Item

A similar transfer was made in the Welfare-to-Work line item in the FY 2001-02 supplemental. First, \$182,200,000 in Reed Act funding was appropriated in the supplemental with accompanying boilerplate that set this funding aside in a work project account through FY 2003-04. The breakdown of the Reed Act funds for these fiscal years is: \$ 47,400,000 in FY 2001-02, \$67,400,000 in FY 2002-03, and \$67,400,000 in FY 2003-04. In each of these fiscal years a similar reduction is made to the Temporary Assistance for Needy Families funding. In FY 2001-02, the negative adjustment is \$46,000,000, in FY 2002-03 it is \$66,100,000, and in FY 2003-04 it will be \$66,100,000.

| | |
|---------|---------------|
| Gross | (202,300,000) |
| Federal | (202,300,000) |
| GF/GP | 0 |

3. Employment Service Agency

The one-time \$7,000,000 appropriation of Federal Reed Act funding is not included in this budget. This funding was to be used for a career search portal and for maintenance projects on the Department's Internet job search service called the Talent Bank and the Talent Freeway.

| | |
|---------|-------------|
| Gross | (7,000,000) |
| Federal | (7,000,000) |
| GF/GP | 0 |

G. EARLY RETIREMENT AND BUDGETARY SAVINGS

The budget contains a new appropriation unit that includes the total reductions that will be taken for both early retirement and an overall 1% cut. The negative adjustments will be taken from specific line items through the legislative transfer process.

| | |
|-------|-----------|
| Gross | (922,100) |
| GF/GP | (922,100) |

H. PROGRAM TRANSFERS

The budget includes a transfer of 51.0 FTEs to the new Department of Information Technology. The budget also includes a new appropriation unit called Information Technology with estimated spending authority of \$6,492,700, which will be budgeted against by this new Department.

| | |
|-----|--------|
| FTE | (50.0) |
|-----|--------|

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

I. FEE INCREASES

The budget includes additional spending authority for additional revenue generated through Occupational School License fees.

| | |
|------------|---------|
| Gross | 100,900 |
| Restricted | 100,900 |
| GF/GP | 0 |

J. UNCLASSIFIED SALARIES

The budget includes a 2% increase for unclassified salaries, from \$496,900 to \$506,800.

| | |
|-------|-------|
| Gross | 9,900 |
| GF/GP | 9,900 |

K. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

| | |
|------------|-----------|
| Gross | 1,468,600 |
| Federal | 1,092,300 |
| Local | 33,700 |
| Restricted | 116,100 |
| GF/GP | 226,500 |

| Item | Gross | GF/GP |
|---------------------------------|-------------|-----------|
| Salary and Wages | \$1,052,300 | \$121,300 |
| Workers' Compensation | (90,000) | 0 |
| Building Occupancy | 869,900 | 86,800 |
| Rent | (413,800) | 0 |
| Retirement-Defined Benefit | 174,800 | 19,200 |
| Retirement-Defined Contribution | 259,400 | 41,000 |
| Lump Sum Adjustment | (400,000) | (46,100) |
| Other | 16,000 | 4,300 |
| Total | \$1,468,600 | \$226,500 |

L. OTHER ISSUES

The budget includes negative adjustments to the administrative line items due to discontinuation of payments related to the 1997 early retirement program.

| | |
|---------|-----------|
| Gross | (346,400) |
| Federal | (332,400) |
| GF/GP | (14,000) |

DEPARTMENT OF CIVIL RIGHTS
P.A. 528 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|--------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 166.5 | 158.5 | 158.5 | (8.0) | (4.8) |
| GROSS | 15,618,400 | 15,348,800 | 14,367,700 | (1,250,700) | (8.0) |
| Less: | | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 15,618,400 | 15,348,800 | 14,367,700 | (1,250,700) | (8.0) |
| Less: | | | | | |
| Federal Funds | 1,285,400 | 934,000 | 934,000 | (351,400) | (27.3) |
| Local and Private | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 14,333,000 | 14,414,800 | 13,433,700 | (899,300) | (6.3) |
| Less: | | | | | |
| Other State Restricted Funds | 0 | 0 | 0 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE .. | 14,333,000 | 14,414,800 | 13,433,700 | (899,300) | (6.3) |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0.0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. COMPLETION OF 1997 EARLY RETIREMENT PAYOUTS

Gross (38,000)
GF/GP (38,000)

The budget includes a reduction to reflect the end of the five-year payouts of sick leave related to employees who retired under the 1997 early retirement legislation.

B. STAFF REDUCTIONS TO PAY FOR EMPLOYEE ECONOMICS

FTE (3.0)
Gross (181,200)
GF/GP (181,200)

The budget includes a reduction of 3.0 FTEs and associated funding to pay for employee economic adjustments. Of the reduction, \$5,100 is taken from the line item for unclassified salaries, resulting in no net increase to that line. The remaining \$176,100 is taken from the Operations line item.

C. UNDESIGNATED BUDGETARY SAVINGS

Gross (144,100)
GF/GP (144,100)

The FY 2002-03 enacted budget includes a 1% GF/GP departmentwide reduction. The negative appropriation will be applied to specific line items through the legislative transfer process at a later date.

D. UNDESIGNATED EARLY RETIREMENT SAVINGS

Gross (837,100)
GF/GP (837,100)

The budget includes a GF/GP reduction to reflect savings from the early retirement option made available in 2002. Thirty-seven employees in the Department of Civil Rights participated in this option.

E. PROGRAM TRANSFERS

FTE (5.0)
Gross 0
GF/GP 0

In the budget, 5.0 FTE positions are transferred to the new Department of Information Technology (DIT). A new appropriation unit is created within the Department of Civil Rights budget, which includes \$1,082,000, entirely funded by GF/GP. This funding is appropriated in the budget for DIT as an interdepartmental grant from user charges.

F. UNCLASSIFIED SALARIES

Gross 2,000
GF/GP 2,000

Unclassified salaries receive a 2% increase from the current year-to-date in the budget from \$257,200 to \$259,200. This line receives no net increase due to a reduction to pay for employee-related economic adjustments. Only 3.0 of the 5.0 unclassified FTEs are funded.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

G. ECONOMIC ADJUSTMENTS

Gross 296,000
GF/GP 296,000

Standard economic adjustments are applied for salaries and wages, total retirement, workers' compensation, building occupancy charges, and the removal of lump sum payments consistent with factors applied to all budgets. These adjustments include:

| Item | Gross | GF/GP |
|---------------------------------|-----------|-----------|
| Salaries and Wages | \$165,700 | \$165,700 |
| Retirement | 71,800 | 71,800 |
| Building Occupancy Charges/Rent | 119,900 | 119,900 |
| Workers' Compensation | (1,000) | (1,000) |
| Lump Sum Adjustments | (60,400) | (60,400) |
| Total | \$296,000 | \$296,000 |

H. OTHER ISSUES

Gross (348,300)
Federal (348,300)
GF/GP 0

Adjustments are made to reflect legislative transfers enacted in FY 2001-02.

DEPARTMENT OF CIVIL SERVICE
P.A. 528 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|--------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 230.5 | 201.5 | 201.5 | (29.0) | (12.6) |
| GROSS | 30,088,340 | 32,217,200 | 31,585,200 | 1,496,860 | 5.0 |
| Less: | | | | | |
| Interdepartmental Grants Received | 3,414,971 | 5,300,000 | 5,300,000 | 1,885,029 | 55.2 |
| ADJUSTED GROSS | 26,673,369 | 26,917,200 | 26,285,200 | (388,169) | (1.5) |
| Less: | | | | | |
| Federal Funds | 4,979,325 | 4,779,100 | 4,779,100 | (200,225) | (4.0) |
| Local and Private | 1,740,038 | 1,850,000 | 1,850,000 | 109,962 | 6.3 |
| TOTAL STATE SPENDING | 19,954,006 | 20,288,100 | 19,656,100 | (297,906) | (1.5) |
| Less: | | | | | |
| Other State Restricted Funds | 9,297,666 | 9,639,200 | 9,639,200 | 341,534 | 3.7 |
| GENERAL FUND/GENERAL PURPOSE .. | 10,656,340 | 10,648,900 | 10,016,900 | (639,440) | (6.0) |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0.0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. TRAINING FOR MANAGEMENT EMPLOYEES

The budget doubles the appropriation for employee training from \$2,000,000 to \$4,000,000. This increase primarily relates to the Leadership Development and Executive Training program that 1,800 management level employees statewide are required to complete.

| | |
|-------|-----------|
| Gross | 2,000,000 |
| IDG | 2,000,000 |
| GF/GP | 0 |

B. STATE OFFICERS COMPENSATION COMMISSION

The budget includes an increase to pay for public meeting notices, meeting rooms, and travel expenses for the State Officers Compensation Commission. On August 6, 2002, Michigan voters adopted an amendment to the State Constitution regarding the duties of the Commission. The Commission will set the salaries for the Governor, Lieutenant Governor, Legislature, Supreme Court Justice, Attorney General, and the Secretary of State.

| | |
|-------|--------|
| Gross | 15,000 |
| GF/GP | 15,000 |

C. UNDESIGNATED BUDGETARY SAVINGS

The FY 2002-03 enacted budget includes a 1% GF/GP departmentwide reduction. The negative appropriation will be applied to specific line items through the legislative transfer process at a later date.

| | |
|-------|-----------|
| Gross | (106,500) |
| GF/GP | (106,500) |

D. UNDESIGNATED EARLY RETIREMENT SAVINGS

The budget includes a GF/GP reduction to reflect savings from the early retirement option made available in 2002. Thirty-one employees in the Department of Civil Service participated in this option.

| | |
|-------|-----------|
| Gross | (525,600) |
| GF/GP | (525,600) |

E. COMPLETION OF 1997 EARLY RETIREMENT PAYOUTS

The budget includes a reduction to reflect the end of the five-year payouts of sick leave related to employees who retired under the 1997 early retirement legislation.

| | |
|------------|----------|
| Gross | (97,000) |
| Restricted | (56,300) |
| GF/GP | (40,700) |

F. STAFF REDUCTIONS TO PAY FOR EMPLOYEE ECONOMICS

The budget includes a reduction of 2.0 FTEs and associated funding to offset employee economic adjustments.

| | |
|-------|-----------|
| FTE | (2.0) |
| Gross | (121,300) |
| GF/GP | (121,300) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

G. PROGRAM TRANSFERS

In the budget, 27.0 FTE positions are transferred to the new Department of Information Technology (DIT). A new appropriation unit is created within the Department of Civil Service budget, which includes \$3,461,600 Gross; \$1,440,000 GF/GP. This funding is appropriated in the budget for DIT as an interdepartmental grant from user charges and is primarily related to the Human Resources Management Network.

| | |
|-------|--------|
| FTE | (27.0) |
| Gross | 0 |
| GF/GP | 0 |

H. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, workers' compensation, building occupancy charges, and the removal of lump sum payments consistent with factors applied to all budgets. These adjustments include:

| | |
|------------|---------|
| Gross | 332,260 |
| Restricted | 192,600 |
| GF/GP | 139,660 |

| Item | Gross | GF/GP |
|----------------------------|-----------|-----------|
| Salaries and Wages | \$243,460 | \$102,360 |
| Retirement | 115,900 | 48,700 |
| Workers' Compensation | 12,000 | 5,000 |
| Building Occupancy Charges | 43,500 | 18,300 |
| Lump Sum Adjustments | (82,600) | (34,700) |
| Total | \$332,260 | \$139,660 |

I. OTHER ISSUES

Adjustments are made to reflect fund source shifts enacted through legislative transfers in FY 2001-02.

| | |
|------------|-----------|
| Gross | 0 |
| IDG | (114,971) |
| Federal | (200,225) |
| Local | (6,039) |
| Private | 116,001 |
| Restricted | 205,234 |
| GF/GP | 0 |

COMMUNITY COLLEGES
P.A. 161 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|--------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | N/A | N/A | N/A | N/A | N/A |
| GROSS | 321,867,419 | 321,732,319 | 321,732,319 | (135,100) | (0) |
| Less: | | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 321,867,419 | 321,732,319 | 321,732,319 | (135,100) | (0.0) |
| Less: | | | | | |
| Federal Funds | 0 | 0 | 0 | 0 | 0.0 |
| Local and Private | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 321,867,419 | 321,732,319 | 321,732,319 | (135,100) | (0.0) |
| Less: | | | | | |
| Other State Restricted Funds | 2,000,000 | 2,000,000 | 2,000,000 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE .. | 319,867,419 | 319,732,319 | 319,732,319 | (135,100) | (0.0) |
| PAYMENTS TO LOCALS | 319,867,419 | 319,732,319 | 319,732,319 | (135,100) | (0.0) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

| | | |
|--|------------|-----------|
| A. OPERATIONS | Gross | 0 |
| | GF/GP | 0 |
| The Governor recommended and the Legislature adopted a continuation level of funding for base operations for each community college. The appropriation for each college is described in <u>Table 1</u> . | | |
| B. TUITION TAX CREDIT/TUITION RESTRAINT | Gross | 0 |
| | GF/GP | 0 |
| The budget eliminated all reference to either the tuition tax credit or tuition restraint proposals. | | |
| C. AT-RISK STUDENT SUCCESS PROGRAM | Gross | 0 |
| | GF/GP | 0 |
| The budget provides no increase for the At-Risk Student Success Program. This program is designed to address the needs of students who test at a level which indicates that they will have difficulty achieving academic success at the postsecondary level. Consistent with prior years, the funds also may be used for the acquisition or upgrade of technology related or unrelated to established At-Risk programs. The distribution to individual colleges has changed consistent with the formula requirements for this program and is described in detail in <u>Table 1</u> . | | |
| D. RENAISSANCE ZONE REIMBURSEMENTS | Gross | (135,100) |
| | GF/GP | (135,100) |
| The budget reflects the anticipated expenditures necessary to reimburse community colleges for revenue lost as a result of the Michigan Renaissance Zone Act. The distribution of funds is based on data collected and analyzed by the Department of Treasury. | | |
| E. POSTSECONDARY ACCESS STUDENT SUCCESS (PASS) TUITION ASSISTANCE PROGRAM | Gross | 0 |
| | Restricted | 0 |
| | GF/GP | 0 |
| The budget includes the continuation of the Postsecondary Access Student Scholarship tuition assistance program. The program provides the remaining tuition and fees after all other financial aid programs for qualifying students are used. In order to be eligible, a student must be degree-seeking, enrolled at least part-time, have qualifying MEAP scores, and otherwise be eligible for the Federal PELL program. The program is financed from the Michigan Merit Award Trust Fund. | | |

Table 1
FY 2002-2003 COMMUNITY COLLEGE FUNDING RECOMMENDATIONS

| College | Operations | | | At Risk Student Success Program | | |
|---------------------------------|-----------------------------|------------------------|----------|---------------------------------|------------------------|----------|
| | A | B | C | D | E | F |
| | Current Year Appropriations | Enacted Appropriations | % Change | Current Year Appropriations | Enacted Appropriations | % Change |
| Alpena | \$5,311,973 | \$5,311,973 | 0.0% | \$104,004 | \$85,654 | -17.6% |
| Bay de Noc | 5,129,944 | 5,129,944 | 0.0% | 98,650 | 93,194 | -5.5% |
| Delta | 14,813,864 | 14,813,864 | 0.0% | 110,240 | 109,215 | -0.9% |
| Glen Oaks | 2,485,512 | 2,485,512 | 0.0% | 135,832 | 138,528 | 2.0% |
| Gogebic | 4,365,123 | 4,365,123 | 0.0% | 78,902 | 78,171 | -0.9% |
| Grand Rapids | 18,633,380 | 18,633,380 | 0.0% | 74,179 | 88,959 | 19.9% |
| Henry Ford | 22,708,494 | 22,708,494 | 0.0% | 164,807 | 163,814 | -0.6% |
| Jackson | 12,570,441 | 12,570,441 | 0.0% | 113,768 | 113,121 | -0.6% |
| Kalamazoo Valley | 12,825,971 | 12,825,971 | 0.0% | 113,499 | 116,085 | 2.3% |
| Kellogg | 10,076,975 | 10,076,975 | 0.0% | 158,343 | 156,823 | -1.0% |
| Kirtland | 3,058,415 | 3,058,415 | 0.0% | 158,732 | 169,343 | 6.7% |
| Lake Michigan | 5,423,461 | 5,423,461 | 0.0% | 192,554 | 186,759 | -3.0% |
| Lansing | 32,223,042 | 32,223,042 | 0.0% | 157,864 | 162,796 | 3.1% |
| Macomb | 34,381,003 | 34,381,003 | 0.0% | 91,038 | 92,395 | 1.5% |
| Mid Michigan | 4,586,420 | 4,586,420 | 0.0% | 129,419 | 138,950 | 7.4% |
| Monroe | 4,462,223 | 4,462,223 | 0.0% | 99,275 | 99,550 | 0.3% |
| Montcalm | 3,227,530 | 3,227,530 | 0.0% | 71,694 | 69,465 | -3.1% |
| Mott | 16,291,459 | 16,291,459 | 0.0% | 109,157 | 111,102 | 1.8% |
| Muskegon | 9,271,134 | 9,271,134 | 0.0% | 213,016 | 209,919 | -1.5% |
| North Central | 3,140,212 | 3,140,212 | 0.0% | 178,336 | 156,702 | -12.1% |
| Northwestern | 9,460,166 | 9,460,166 | 0.0% | 120,677 | 129,025 | 6.9% |
| Oakland | 21,687,988 | 21,687,988 | 0.0% | 159,354 | 157,358 | -1.3% |
| St. Clair | 7,264,610 | 7,264,610 | 0.0% | 80,413 | 88,500 | 10.1% |
| Schoolcraft | 12,728,740 | 12,728,740 | 0.0% | 150,164 | 152,307 | 1.4% |
| Southwestern | 6,832,843 | 6,832,843 | 0.0% | 180,632 | 180,889 | 0.1% |
| Washtenaw | 12,937,228 | 12,937,228 | 0.0% | 161,709 | 170,388 | 5.4% |
| Wayne County | 17,223,721 | 17,223,721 | 0.0% | 149,384 | 142,398 | -4.7% |
| West Shore | 2,382,344 | 2,382,344 | 0.0% | 136,461 | 130,693 | -4.2% |
| Subtotal | \$315,504,216 | \$315,504,216 | 0.0% | \$3,692,103 | \$3,692,103 | 0.0% |
| At Risk Student Success Program | 3,692,103 | 3,692,103 | 0.0% | 3,692,103 | 3,692,103 | 0.0% |
| Renaissance Zone | 671,100 | 536,000 | -20.1% | | | |
| Reimbursement | | | | | | |
| PASS program | 2,000,000 | 2,000,000 | 0.0% | | | |
| Total Funding | \$321,867,419 | \$321,732,319 | 0.0% | \$3,692,103 | \$3,692,103 | 0.0% |

DEPARTMENT OF COMMUNITY HEALTH
P.A. 519 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 6,201.1 | 5,666.3 | 5,674.3 | (526.8) | (8.5) |
| GROSS | 9,137,396,900 | 9,155,663,800 | 9,397,514,700 | 260,117,800 | 2.8 |
| Less: | | | | | |
| Interdepartmental Grants Received | 74,507,400 | 69,172,900 | 69,172,900 | (5,334,500) | (7.2) |
| ADJUSTED GROSS | 9,062,889,500 | 9,086,490,900 | 9,328,341,800 | 265,452,300 | 2.9 |
| Less: | | | | | |
| Federal Funds | 4,763,625,700 | 4,801,713,100 | 5,002,000,200 | 238,374,500 | 5.0 |
| Local and Private | 1,234,347,000 | 1,128,388,500 | 1,011,321,200 | (223,025,800) | (18.1) |
| TOTAL STATE SPENDING | 3,064,916,800 | 3,156,389,300 | 3,315,020,400 | 250,103,600 | 8.2 |
| Less: | | | | | |
| Other State Restricted Funds | 566,701,000 | 593,328,200 | 774,821,500 | 208,120,500 | 36.7 |
| GENERAL FUND/GENERAL PURPOSE .. | 2,498,215,800 | 2,563,061,100 | 2,540,198,900 | 41,983,100 | 1.7 |
| PAYMENTS TO LOCALS | 997,238,400 | 1,001,418,200 | 1,085,117,300 | 87,878,900 | 8.8 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. GENERAL ISSUES

| | | | |
|-----------|--|------------|--------------|
| 1. | Medicaid Match Rate Change | Gross | 0 |
| | The enacted FY 2002-03 budget includes additional GF/GP funding due to a decrease in the Federal Medicaid match rate from 56.36% to 55.42%. | Federal | (64,522,800) |
| | | GF/GP | 64,522,800 |
| 2. | Healthy Michigan Fund | Gross | 814,200 |
| | The budget reflects continuation funding for most Healthy Michigan Fund (HMF) programs, with an increase in funding for the so-called MOMs program, formerly the MICHCARE program. | Restricted | 1,420,100 |
| | | GF/GP | (605,900) |
| 3. | Medicaid Expansion | Gross | 112,932,300 |
| | The budget includes funding for an expansion of Medicaid eligibility through the aggressive use of allocated but previously unused Federal funds. Part of the cost of this program is financed from GF/GP savings due to the shift of some Community Mental Health (CMH) non-Medicaid eligible individuals to Medicaid eligibility. Some of the GF/GP savings is used to provide a 3.7% increase in CMH Medicaid capitation rates. As part of his veto message, the Governor stated that the Medicaid expansion would be put on hold until the budgetary situation stabilized. | Federal | 112,932,300 |
| | | GF/GP | 0 |
| 4. | Early Retirement and Budgetary Savings | Gross | (31,024,300) |
| | The budget includes assumed savings from early retirement and from a 1% across-the-board budgetary savings line item. | GF/GP | (31,024,300) |
| 5. | Annualization of FY 2001-02 Savings | FTE | (29.8) |
| | The budget includes savings from the annualization of budgetary savings, Executive Order 2001-9 reductions, and the FY 2001-02 pharmaceutical cost containment initiative. | Gross | (38,824,300) |
| | | Federal | (22,155,100) |
| | | Private | 1,614,000 |
| | | Restricted | (1,677,800) |
| | | GF/GP | (16,605,400) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

6. Federal Funds

Due to a large increase in Federal funds received late in FY 2001-02, the net change in Federal funds for FY 2002-03 at this point is negative. It is expected that as the Federal budget for FY 2002-03 is finalized, Federal funding will increase. The changes reflected here include staffing for the state's antibioterrorism efforts.

| | |
|---------|--------------|
| FTE | 33.0 |
| Gross | (36,455,200) |
| Federal | (36,455,200) |
| GF/GP | 0 |

B. MENTAL HEALTH

1. Community Mental Health Medicaid Base Funding

Due to an increase in Medicaid caseload and case mix, the budget includes additional funding for CMH Medicaid.

| | |
|---------|------------|
| Gross | 20,424,000 |
| Federal | 11,172,600 |
| GF/GP | 9,251,400 |

2. Community Mental Health Provider Assessment

The budget includes revenue from a provider assessment of 6% on CMH boards. The budget also includes a large CMH Medicaid rate increase. Due to newly issued Federal regulations barring such an assessment on CMH boards, the assessment and provider increase were vetoed by the Governor.

| | |
|------------|--------------|
| Gross | 188,027,600 |
| Federal | 104,204,900 |
| Restricted | 128,500,000 |
| GF/GP | (44,677,300) |

3. Mental Health Facilities Funding

The budget includes typical annual adjustments reflecting actual staff on board and actual costs incurred by the State's mental health facilities and related services, including forensic services provided under contract with the Department of Corrections.

| | |
|------------|--------------|
| FTE | (357.0) |
| Gross | (10,435,000) |
| IDG | (6,201,300) |
| Federal | (5,906,900) |
| Local | 2,204,700 |
| Restricted | (603,100) |
| GF/GP | 71,600 |

C. LOCAL PUBLIC HEALTH OPERATIONS

The budget does not include the proposed 5% increase for this line item.

| | |
|-------|---|
| Gross | 0 |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

D. MEDICAL SERVICES (MEDICAID)

| | | |
|--|---|--------------------|
| 1. Medicaid Base Funding | Gross | 122,146,900 |
| | Federal | 63,697,000 |
| | GF/GP | 58,449,900 |
| | The budget includes base adjustments to the major Medicaid accounts, including Adult Home Help and Children's Special Health Care Services. | |
| 2. Use of Medicaid Trust Fund | Gross | 0 |
| | Restricted | 47,662,400 |
| | GF/GP | (47,662,400) |
| 3. Medicaid Special Financing | The budget reflects the use of over \$286 million in Medicaid Trust Fund dollars, up from the amount to be used in FY 2001-02. | |
| | Gross | (78,170,700) |
| | Federal | (43,322,200) |
| | Local | (108,888,200) |
| | Restricted | 30,424,100 |
| | Tobacco | (2,792,800) |
| 4. Long-Term Care Screening | GF/GP | 46,408,400 |
| | Gross | (22,431,600) |
| | Federal | (12,431,600) |
| | GF/GP | (10,000,000) |
| 5. Provider Assessments | The budget assumes savings from the implementation of a new long-term care services screening tool, which is expected to result in more appropriate placements for clients. | |
| | Gross | 348,980,600 |
| | Federal | 193,168,700 |
| | Restricted | 192,788,300 |
| The budget includes revenue from provider assessments for health maintenance organizations (HMOs), nursing homes, and hospitals. In conjunction with these assessments, the Medicaid rates paid to HMOs, nursing homes, and hospitals will go up by an average net increase of 7%, 5% and 6% respectively. | | GF/GP (36,976,400) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

6. Effect of Public Act 303 of 2002 and Public Act 304 of 2002

Funding for long-term care services and health maintenance organizations was appropriated in Public Acts 303 and 304 of 2002. These Acts provided statutory authorization for the nursing home and HMO assessments. Combined with the already existing appropriation for these services, this led to a double appropriation; an issue that was settled through vetoes (see items 1 through 5 under Vetoes).

| | |
|------------|---------------|
| Gross | 2,945,785,000 |
| Federal | 1,631,618,100 |
| Local | 8,445,100 |
| Restricted | 100,576,000 |
| GF/GP | 1,205,145,800 |

E. PROGRAM TRANSFERS

The budget reflects the transfer of the School Health Program, commonly known as the Michigan Model, to the School Aid budget.

| | |
|------------|-------------|
| Gross | (3,180,000) |
| Restricted | (1,180,000) |
| GF/GP | (2,000,000) |

F. UNCLASSIFIED SALARIES

The budget includes a 2% increase for unclassified salaries.

| | |
|-------|--------|
| Gross | 11,600 |
| GF/GP | 11,600 |

G. TOBACCO SETTLEMENT

The budget makes two changes to Tobacco Settlement funding. The first change is the reduction in Tobacco funding for Local Medical programs reflected in the Medicaid Special Financing item noted above. Second, \$15,000,000 in Tobacco funding is removed from the Elder Prescription Insurance Coverage (EPIC) program, under the assumption that over \$100 million in new Federal funds will be available for expansion of the program. The budget includes boilerplate language directing the Department to use carryforward Tobacco Settlement dollars to restore fully the EPIC program if the Federal funds do not become available.

| | |
|------------|--------------|
| Gross | 94,999,300 |
| Federal | 115,000,000 |
| Restricted | (5,000,700) |
| Tobacco | (15,000,000) |
| GF/GP | 0 |

H. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

| | |
|------------|-----------|
| FTE | (33.0) |
| Gross | 6,258,800 |
| IDG | 680,400 |
| Federal | 816,500 |
| Local | 2,090,300 |
| Restricted | 175,200 |
| GF/GP | 2,496,400 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

| Item | Gross | GF/GP |
|-------------------------------------|-------------|-------------|
| Salaries and Wages | \$8,597,000 | \$4,204,200 |
| Retirement | 735,600 | 94,400 |
| Other | 1,726,800 | 1,248,700 |
| Removal of Lump Sum Payout | (3,211,800) | (1,462,100) |
| Reduce 33 FTEs to Pay for Economics | (1,588,800) | (1,588,800) |
| Total | \$6,258,800 | \$2,496,400 |

I. OTHER ISSUES

Other changes result in some minor funding and fund source shifts. Also reflected is the shift of FTEs to the Department of Information Technology.

| | |
|------------|-------------|
| FTE | (148.0) |
| Gross | 6,416,000 |
| IDG | 186,400 |
| Federal | 792,500 |
| Local | (301,300) |
| Private | (1,064,000) |
| Restricted | 3,592,100 |
| GF/GP | 3,210,300 |

J. VETOES

The Governor vetoed five line items and a number of sections of boilerplate that are enumerated below:

1. Long Term Care Services line item (\$1,225,927,400 Gross) and associated boilerplate Sections 1680, 1684, 1684a, 1685, 1687, 1690, 1701, 1702, 1703, and 1712. Public Act 303 of 2002 contained \$1,469,003,900 in FY 2002-03 appropriations for Long Term Care Services, Adult Home Help, Personal Care Services, and the Home and Community Based Waiver program.
2. Home and Community Based Waiver line item (\$126,000,000 Gross) and associated boilerplate Sections 1681, 1688, 1689, and 1710.

| | |
|------------|-----------------|
| Gross | (3,366,157,400) |
| Federal | (1,810,234,300) |
| Local | (127,126,400) |
| Restricted | (270,763,300) |
| GF/GP | (1,158,033,400) |

3. Personal Care Services line item (\$20,816,200 Gross).
4. Adult Home Help line item (\$187,387,800 Gross).
5. Health Maintenance Organizations line item (\$1,581,188,600 Gross) and associated boilerplate Sections 1612(2), 1653, 1654, 1657(4), 1658, 1660(3)-(5), and 1661. Public Act 304 of 2002 contained \$1,476,781,100 in FY 2002-03 appropriations for Medicaid Health Maintenance Organizations.
6. Section 412, which would have required the Department to contract directly with the Salvation Army Harbor Light Program and Salvation Army Turning Point for the provision of non-Medicaid substance abuse services, a reduction of \$4,551,400 Gross and \$1,689,400 GF/GP.
7. Section 419, which would have allowed substance abuse coordinating agencies to carry forward up to 5% of their Federal block grant revenue.
8. Sections 430 and 431, which would have allowed community mental health services programs (CMHSPs) to carry forward up to 5% of unobligated capitation payments for non-Medicaid and Medicaid services.
9. Section 447, which would have required the Department to provide to CMHSPs a fixed net cost rate for services provided by the State (\$17,674,200 Gross and \$8,837,100 GF/GP).
10. Section 448, which would have required a CMHSP to comply with the HMO Quality Assurance Assessment provisions of the Insurance Code (MCL 500.224b) as if it were an HMO (\$188,027,600 Gross).
11. Section 449, which would have provided funding for persons with severe mental, developmental, physical, or emotional disabilities who are not currently served under the CMH multicultural services program (\$2,500,000 Gross and GF/GP).
12. Section 805, which would have required the Department to establish a Natalia Horak and Matthew Knueppel meningitis prevention fund (\$334,100 Gross and HMF).

13. Section 852, which would have required the Department to allocate Federal bioterrorism hospital preparedness funding to the specified hospitals/health systems (\$3,400,000 Federal).
14. Section 853, which would have allocated \$100 to support a research initiative between the Department, Michigan State University, and the Michigan Farm Bureau to address health concerns regarding transmission of animal-borne diseases to the human population. (\$100 Gross and GF/GP).
15. Section 1025, which would have directed funding to a Battle Creek diabetes and kidney program (\$50,000 Gross and GF/GP).
16. Section 1124, which would have allocated \$450,000 for the Statewide Fetal Infant Mortality Review Network if additional Federal funds became available.
17. Section 1136, which would have required the Department to allocate \$1,100,000 to child advocacy centers in the State (\$1,100,000 Gross and HMF).
18. Section 1508, which would have required the Department to allocate up to \$200,000 from the MICHild Administration funding to school district health center training and assistance (\$200,000 Gross and Federal).
19. Section 1645, which would have required the Department to implement a hospital adjustor formula that would be paid to eligible hospitals as a 27% increase in Medicaid inpatient, outpatient, and rehabilitation rates (\$6,000,000 Gross; \$3,325,200 Federal; \$2,674,800 GF/GP).
20. Section 1646, which would have required the Department to allocate \$1,000,000 to establish a hospital transitional services fund (\$1,000,000 Gross and GF/GP).

DEPARTMENT OF CONSUMER & INDUSTRY SERVICES
P.A. 527 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|---------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 4,175.4 | 3,941.9 | 3,948.9 | (226.5) | (5.4) |
| GROSS | 644,480,400 | 570,138,000 | 555,701,500 | (88,778,900) | (13.8) |
| Less: | | | | | |
| Interdepartmental Grants Received | 111,800 | 111,100 | 111,100 | (700) | (0.6) |
| ADJUSTED GROSS | 644,368,600 | 570,026,900 | 555,590,400 | (88,778,200) | (13.8) |
| Less: | | | | | |
| Federal Funds | 331,440,500 | 242,311,500 | 242,311,500 | (89,129,000) | (26.9) |
| Local and Private | 740,000 | 740,000 | 770,000 | 30,000 | 4.1 |
| TOTAL STATE SPENDING | 312,188,100 | 326,975,400 | 312,508,900 | 320,800 | 0.1 |
| Less: | | | | | |
| Other State Restricted Funds | 274,291,400 | 288,987,600 | 276,532,600 | 2,241,200 | 0.8 |
| GENERAL FUND/GENERAL PURPOSE .. | 37,896,700 | 37,987,800 | 35,976,300 | (1,920,400) | (5.1) |
| PAYMENTS TO LOCALS | 19,921,000 | 19,921,000 | 12,500,000 | (7,421,000) | (37.3) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. SECTION 8 HOUSING VOUCHERS

The budget includes a reduction in Federal funding for housing vouchers. The amount was increased in the FY 2001-02 budget due to a late year transfer. These funds are used to provide rental subsidies for low income individuals.

| | |
|---------|-------------|
| Gross | (1,000,000) |
| Federal | (1,000,000) |
| GF/GP | 0 |

B. NURSES PROFESSIONAL FUND

The budget includes a \$248,000 increase in funds available for nursing scholarships from the Nurses Professional Fund, which is supported by nursing license fees. Additionally, \$125,000 was added to conduct a study on the nursing shortage by the Center for Nursing.

| | |
|------------|---------|
| Gross | 373,000 |
| Restricted | 373,000 |
| GF/GP | 0 |

C. OFFICE OF FINANCIAL AND INSURANCE SERVICES

1. Financially Troubled Insurers

The budget includes funding for a new program that allows the Department to hire consultants to monitor financially troubled insurers, including health maintenance organizations. The budget provides increased expenditure authorization of \$1,500,000 from insurance regulatory fees.

| | |
|------------|-----------|
| Gross | 2,500,000 |
| Restricted | 2,500,000 |
| GF/GP | 0 |

2. Triennial Financial Examination

The budget includes additional resources to ensure that licensed mortgage brokers, consumer lenders, and registered investment advisors are examined every three years. The budget provides increased expenditure authorization of \$1,000,000 from Consumer Finance Fees for contracts with auditing and compliance firms and additional software for Department of Consumer and Industry Services (CIS) staff.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

D. BUREAU OF WORKER'S AND UNEMPLOYMENT COMPENSATION

| | |
|------------|--------------|
| Gross | (76,071,800) |
| Federal | (75,000,000) |
| Restricted | (1,071,800) |
| GF/GP | 0 |

The budget combines the Bureau of Worker's Disability Compensation, the Unemployment Agency, and the Worker's Compensation Board of Magistrates into the Bureau of Worker's and Unemployment Compensation. The new Bureau was created by Executive Order 2002-1, which also transferred the Wage and Hour Division. Funding for the Bureau incorporates funding shifts and expenditure changes.

Money from Contingent Fund, Penalties and Interest is used in place of corporation and securities fees to fund the Workers' Compensation Division. The budget increases the use of Contingent Fund, Penalties and Interest by \$8,760,500. It decreases funding from Corporation Fees by \$4,826,900 and decreases funding from Securities Fees by \$5,005,400. The net funding reduction is \$1,071,800.

The expenditure changes that make up this reduction include:

- A funding reduction of \$1,028,500 for the training program for agency staff in the Unemployment Agency who will be displaced by the change to telephone application for unemployment benefits. Department staff indicate that this change reflects lower-than-expected use of the training funds.
- A reduction of \$57,500 in funding for the Advocacy Assistance Program in the Unemployment Agency to bring funding within the statutory limit.

The budget continues the restricted fund shift in the Unemployment Agency. The Unemployment Programs, Advocacy Assistance, Special Audit and Collections, Training Programs for Agency Staff, and Expanded Fraud Control Programs line items were funded with \$9,588,500 in Contingency Fund Penalty and Interest funding. These funds will be replaced with \$75,000,000 in Federal Reed Act funds that were set aside in a work project account in the FY 2001-02 supplemental. Another \$411,500 will have to be taken from the Workers' Compensation Division. This \$10,000,000 in Contingency Fund revenue was deposited into the General Fund.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

E. ELEVATOR AND BOILER INSPECTIONS

The budget includes a transfer of FTEs from the Unemployment Agency and adds resources to the elevator and boiler inspection program consisting of 3.0 FTEs for additional elevator inspectors, 6.0 FTEs for additional boiler inspectors, and the purchase of handheld computers. The additional staff and equipment are appropriated to reduce the backlog in inspections of boilers and elevators. This enhancement is financed from restricted fee revenue from elevator and boiler inspections.

| | |
|------------|---------|
| Gross | 998,600 |
| Restricted | 998,600 |
| GF/GP | 0 |

F. ADDITIONAL FIRE SAFETY OFFICE

The budget includes a new Office of Fire Safety in southeastern Michigan to address better the need for fire safety inspections in that area. Authority for 4.0 FTE vacant positions is transferred from the Unemployment Agency.

| | |
|------------|---------|
| Gross | 287,700 |
| Federal | 48,900 |
| Restricted | 238,800 |
| GF/GP | 0 |

G. STAFF REDUCTIONS

The budget includes a reduction in personnel to fund the General Fund cost of employee-related economic adjustments.

| | |
|-------|-----------|
| FTE | (11.0) |
| Gross | (970,900) |
| GF/GP | (970,900) |

H. BUDGETARY & EARLY RETIREMENT SAVINGS

The budget contains a new appropriation unit that includes the total reductions that will be taken for both the early retirement and an overall General Fund 1% cut. The negative adjustments will be taken from specific line items through the legislative transfer process.

| | |
|-------|-------------|
| Gross | (2,011,600) |
| GF/GP | (2,011,600) |

I. PROGRAM TRANSFER

| | |
|-----|---------|
| FTE | (220.5) |
|-----|---------|

1. Department of Information Technology

The budget transfers 220.5 FTE employees to the Department of Information Technology (DIT). This consists of 97.5 FTEs from the Unemployment Agency and 123.0 from other CIS programs. Funding of \$26,117,800 is brought into a CIS appropriation for Information Technology Services that will be provided by DIT employees and budgeted to the CIS.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

2. History, Arts, & Libraries

The budget transfers 1.0 FTE and \$150,000 to the Department of History, Arts, and Libraries. This moves funds formerly associated with the Arts and Cultural Grants Program when it was located in the CIS.

| | |
|-------|-----------|
| FTE | (1.0) |
| Gross | (150,000) |
| GF/GP | (150,000) |

3. Security Guard Regulation

The budget transfers the licensing and regulation for security guards, railroad police, and private investigators from the State Police. The transfer includes 6.0 FTEs and the licensing revenue to support the division.

| | |
|------------|---------|
| FTE | 6.0 |
| Gross | 450,000 |
| Restricted | 450,000 |
| GF/GP | 0 |

J. UNCLASSIFIED SALARIES

The budget includes a 2% increase.

| | |
|------------|---------|
| Gross | 112,400 |
| Federal | 8,300 |
| Restricted | 83,000 |
| GF/GP | 21,100 |

K. ECONOMIC ADJUSTMENTS

The standard economic adjustments consist of the following:

| | |
|------------|-----------|
| Gross | 5,150,600 |
| IDG | (700) |
| Federal | 1,164,600 |
| Restricted | 2,853,400 |
| GF/GP | 1,133,300 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

| Item | Gross | GF/GP |
|---------------------------------|-------------|-------------|
| Salary and Wages | \$4,190,900 | \$661,300 |
| Lump Sum Reduction | (1,988,300) | (181,800) |
| Retirement-Defined Benefit | 151,300 | 204,500 |
| Retirement-Defined Contribution | 1,432,400 | 233,200 |
| Workers' Compensation | 78,000 | 36,500 |
| Building Occupancy | 1,991,200 | 0 |
| Rent | (704,900) | 0 |
| Total | \$5,150,600 | \$1,133,300 |

L. OTHER ISSUES

The budget includes a \$1,180,600 reduction due to the discontinued payments related to the 1997 early retirement program and makes various fund source adjustments.

| | |
|------------|--------------|
| Gross | (15,446,900) |
| Federal | (14,350,800) |
| Restricted | (1,183,800) |
| Private | 30,000 |
| GF/GP | 57,700 |

M. VETOES

1. Fire Protection Grants

The Governor vetoed Fire Protection Grants in this bill. The funding was later restored in a boilerplate section in the Transportation budget, P.A. 561. This funding is distributed to local governments in lieu of property taxes for State-owned buildings.

| | |
|------------|---|
| Gross | 0 |
| Restricted | 0 |
| GF/GP | 0 |

2. Community Action Agencies

The Governor vetoed the boilerplate language that would have allocated funding from the Low Income Energy Efficiency Grant Program to the Community Action Agencies for shut-off protection programs. This reduces the grant line to \$57,000,000, which will be distributed competitively under the three grant categories.

| | |
|------------|-------------|
| Gross | (3,000,000) |
| Restricted | (3,000,000) |
| GF/GP | 0 |

DEPARTMENT OF CORRECTIONS
P.A. 524 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|--------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 19,390.5 | 18,827.9 | 18,827.9 | (562.6) | (2.9) |
| GROSS | 1,687,837,800 | 1,713,462,400 | 1,705,870,600 | 18,032,800 | 1.1 |
| Less: | | | | | |
| Interdepartmental Grants Received | 5,965,700 | 3,318,500 | 3,318,500 | (2,647,200) | (44.4) |
| ADJUSTED GROSS | 1,681,872,100 | 1,710,143,900 | 1,702,552,100 | 20,680,000 | 1.2 |
| Less: | | | | | |
| Federal Funds | 28,490,800 | 26,403,400 | 26,403,400 | (2,087,400) | (7.3) |
| Local and Private | 349,600 | 391,100 | 391,100 | 41,500 | 11.9 |
| TOTAL STATE SPENDING | 1,653,031,700 | 1,683,349,400 | 1,675,757,600 | 22,725,900 | 1.4 |
| Less: | | | | | |
| Other State Restricted Funds | 53,577,800 | 55,490,600 | 55,490,600 | 1,912,800 | 3.6 |
| GENERAL FUND/GENERAL PURPOSE .. | 1,599,453,900 | 1,627,858,800 | 1,620,267,000 | 20,813,100 | 1.3 |
| PAYMENTS TO LOCALS | 81,843,800 | 78,221,300 | 78,221,300 | (3,622,500) | (4.4) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. PRISON OPERATIONS

1. New Prison Bed Openings/Closings

The Senate and House agreed with the Executive recommendation to include \$10,917,700 of full-year cost adjustments for beds opened in FY 2001-02 at Bellamy Creek and Crane Correctional Facilities and Camp Brighton. The budget also added \$10,152,100 for additional beds by reopening Jackson Maximum and Michigan Reformatory and by double-bunking Riverside Correctional Facility and Camp Lehman. A decrease of \$1,924,300 was made by postponing the opening of new drop-in units at Macomb and Saginaw Correctional Facilities and carrying forward the funds from FY 2001-02 to FY 2002-03. The budget also reflects \$15,091,800 in annualized savings from facility closings and staff reductions in Executive Order 2001-9.

| | |
|------------|-----------|
| Gross | 4,053,700 |
| Restricted | (169,500) |
| GF/GP | 4,223,200 |

2. Other Operational Adjustments

The enacted budget recognizes increased Federal revenues for housing Federal inmates in State prisons (\$58,600) and Social Security Administration reimbursements for tracking prisoners' Social Security numbers (\$100,000). The budget uses \$1,694,300 GF/GP to replace decreasing Federal revenues from the State Criminal Alien Assistance Program. The budget also increases Federal Violent Offender Incarceration/Truth In Sentencing (VOITIS) funds for contract adjustments of \$83,300 for the Michigan Youth Correctional Facility (MYC) as well as a funding shift of \$196,100 from VOITIS funds to GF/GP for MYC administrative costs. Also added were a third-year pay step funding increase of \$1,987,800 at Pugsley Correctional Facility and a \$2,703,100 decrease to correct the Jackson Food Production Kitchen intradepartmental transfer.

| | |
|---------|-------------|
| Gross | (473,400) |
| IDT | (2,703,100) |
| Federal | (1,648,500) |
| GF/GP | 3,878,200 |

B. HEALTH CARE

The enacted budget includes an increase for prisoner health care costs. Most of these costs are due to pharmaceutical cost increases (\$3,960,400) and estimated increases in the managed care contract (3,299,700), which will be up for renewal in April 2003. The budget also includes \$139,200 for full-year managed care costs for an additional unit opened at Thumb Correctional Facility in 2001 and a negative \$100 adjustment to the Vaccination Program.

| | |
|-------|-----------|
| Gross | 7,399,200 |
| GF/GP | 7,399,200 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

C. FIELD OPERATIONS

The budget removes one-time costs of moving the Detroit Field Operations office (\$418,500) and recognizes increased collections of State and local tether revenue (\$90,000).

| | |
|------------|-----------|
| Gross | (328,500) |
| Local | 40,000 |
| Restricted | 50,000 |
| GF/GP | (418,500) |

D. COMMUNITY JAIL REIMBURSEMENT PROGRAM (CJRP)

The Senate and House concurred with the Governor's recommendation to revise the CJRP reimbursement per diem to a standard rate of \$42 per day for all counties for up to one year. Previously, counties with populations less than 100,000 received \$40 per day for the first 90 days and larger counties received \$45, while all counties received \$42 per day after 90 days for up to one year. This revision did not require a change in appropriation.

| | |
|------------|---|
| Gross | 0 |
| Restricted | 0 |
| GF/GP | 0 |

E. EARLY RETIREMENT SAVINGS

The enacted budget includes \$7,591,800 in savings from replacing only 1:4 of the employees who opted to participate in the early retirement program. The Department of Corrections may replace direct facility staff 1:1 and parole and probation staff 1:2.

| | |
|-------|-------------|
| Gross | (7,591,800) |
| GF/GP | (7,591,800) |

F. FEE INCREASES

The budget reflects the full-year effect (\$343,800) of increased parole/probation oversight fees first changed in Executive Order 2001-9 and made permanent in Public Acts 483 and 502 of 2002. It replaces \$175,000 GF/GP and adds \$168,800 to parole and probation services. The enacted budget also recognizes the \$1,500,000 full-year effect of the County Jail Reimbursement Fund fee implemented by Public Act 213 of 2001 as a shift from GF/GP to State Restricted funds.

| | |
|------------|-------------|
| Gross | 168,800 |
| Restricted | 1,843,800 |
| GF/GP | (1,675,000) |

G. UNCLASSIFIED SALARIES

Unclassified salaries received an increase of \$26,300 as well as a reduction of \$29,400 as part of the staff reductions needed to pay for employee economics for an overall reduction of \$3,100.

| | |
|-------|---------|
| Gross | (3,100) |
| GF/GP | (3,100) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

H. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, workers' compensation, fuel and utilities, food, rent, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

| | |
|------------|------------|
| Gross | 17,524,000 |
| IDG | 8,300 |
| IDT | 47,600 |
| Federal | 19,500 |
| Local | 1,500 |
| Restricted | 319,600 |
| GF/GP | 17,127,500 |

| Item | Gross | GF/GP |
|-----------------------------|--------------|--------------|
| Salaries and Wages | \$17,850,000 | \$17,357,200 |
| Lump Sum Salary Reduction | (7,217,100) | (7,049,500) |
| Retirement | 2,331,800 | 2,260,500 |
| Workers' Compensation | 1,365,600 | 1,365,600 |
| Fuel and Utilities | 1,102,200 | 1,102,200 |
| Food | 1,592,100 | 1,592,100 |
| Building Occupancy and Rent | 499,400 | 499,400 |
| Total | \$17,524,000 | \$17,127,500 |

I. OTHER ISSUES

The enacted budget also includes a \$363,900 decrease to reflect the end of 1997 early retirement payouts and a decrease of \$1,768,800 in staff reductions needed to pay for employee economics. The FY 2002-03 budget does not recognize \$583,400 in Federal and State restricted contingency fund transfers passed by the Legislature in 2002.

| | |
|------------|-------------|
| Gross | (2,439,100) |
| Federal | (458,400) |
| Restricted | (131,100) |
| GF/GP | (2,126,600) |

**DEPARTMENT OF EDUCATION
P.A. 522 of 2002**

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|---------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 455.0 | 431.1 | 436.1 | (18.9) | (4.2) |
| GROSS | 1,019,937,300 | 95,361,900 | 215,490,700 | (804,446,600) | (78.9) |
| Less: | | | | | |
| Interdepartmental Grants Received | 518,000 | 1,000,000 | 1,000,000 | 482,000 | 93.1 |
| ADJUSTED GROSS | 1,019,419,300 | 94,361,900 | 214,490,700 | (804,928,600) | (79.0) |
| Less: | | | | | |
| Federal Funds | 966,591,000 | 44,827,400 | 165,694,100 | (800,896,900) | (82.9) |
| Local and Private | 5,591,000 | 5,445,600 | 5,445,600 | (145,400) | (2.6) |
| TOTAL STATE SPENDING | 47,237,300 | 44,088,900 | 43,351,000 | (3,886,300) | (8.2) |
| Less: | | | | | |
| Other State Restricted Funds | 14,471,400 | 13,979,300 | 14,329,300 | (142,100) | (1.0) |
| GENERAL FUND/GENERAL PURPOSE .. | 32,765,900 | 30,109,600 | 29,021,700 | (3,744,200) | (11.4) |
| PAYMENTS TO LOCALS | 14,649,200 | 16,436,800 | 16,436,800 | 1,787,600 | 12.2 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. ADMINISTRATIVE FUNDING OF FEDERAL GRANTS

The budget includes large increases in administrative funding of Federal grants, including Individuals with Disabilities Education Act, Elementary and Secondary Education Act, Reading First, Improving Teacher Quality, and AIDS grants.

| | |
|---------|------------|
| Gross | 12,402,100 |
| Federal | 12,402,100 |
| GF/GP | 0 |

B. INFORMATION TECHNOLOGY OPERATIONS

The Information Technology Operations unit was reduced by \$1,863,200 of Federal authorization for information technology services no longer needed by the Department.

| | |
|---------|-------------|
| Gross | (1,863,200) |
| Federal | (1,863,200) |
| GF/GP | 0 |

C. TECHNICAL RESOURCE AND REPRODUCTION CENTER

The local and Federal funding for the Technical Resource and Reproduction Center (a center designed to provide assistive devices for blind and visually impaired pupils) was eliminated from this budget since the Center will receive its funding in the future via a direct grant from the Special Education grant in the K-12 budget.

| | |
|---------|-------------|
| Gross | (1,250,000) |
| Federal | (1,100,000) |
| Local | (150,000) |
| GF/GP | 0 |

D. EARLY RETIREMENT AND BUDGETARY SAVINGS

The Department must satisfy a 1% GF/GP reduction in the amount of \$301,200, and is estimated to save \$721,900 due to the participation of employees in the State's early retirement program. The savings for early retirement were estimated by assuming a replacement ratio of one employee for every five who retired.

| | |
|-------|-------------|
| Gross | (1,023,100) |
| GF/GP | (1,023,100) |

E. SCHOOL BREAKFAST PROGRAM

Due to increasing costs and numbers of breakfasts served, nearly \$600,000 was added to year-to-date appropriations to cover the State's reimbursement to districts providing school breakfasts.

| | |
|-------|---------|
| Gross | 581,800 |
| GF/GP | 581,800 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. RESTRICTED FUNDS

The budget includes three increases in restricted fund expenditures. The first is an additional \$200,000 from Motorcycle Safety Fees for the purchase of new motorcycles for use in the State's safety education program. The second is an additional \$100,000 for more grants to be made available for providing off-road vehicle safety training. The third is a doubling of the funding for National Board Certification Grants (a \$50,000 increase).

| | |
|------------|---------|
| Gross | 350,000 |
| Restricted | 350,000 |
| GF/GP | 0 |

G. PROGRAM TRANSFERS

Federal Grants

All but five Federal grants were transferred to the School Aid budget. The largest of these include Title I (\$346,000,000), School Lunch Program (\$256,725,000), Special Education (\$29,214,800), Drug Free Schools (\$16,725,400). Administration of the programs remains in the Department except for those grants transferred to the Michigan Virtual University to support distance learning.

| | |
|---------|---------------|
| Gross | (813,870,300) |
| Federal | (813,870,300) |
| GF/GP | 0 |

H. UNCLASSIFIED SALARIES

Under Executive Order 2001-9, unclassified salaries for FY 2001-02 were reduced by \$150,000 to \$365,600. The FY 2002-03 budget restores this line item to its previously enacted appropriation of \$515,600.

| | |
|-------|---------|
| Gross | 150,000 |
| GF/GP | 150,000 |

I. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

| | |
|------------|---------|
| Gross | 500,500 |
| Federal | 273,200 |
| Local | 19,000 |
| Restricted | 39,300 |
| GF/GP | 169,000 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

| Item | Gross | GF/GP |
|----------------------------|-----------|-----------|
| Salaries and Wages | \$481,700 | \$144,900 |
| Lump Sum Adjustment | (170,000) | (46,100) |
| Total Retirement | 26,600 | 9,100 |
| Workers' Compensation | 7,000 | 7,000 |
| Building Occupancy Charges | 137,600 | 54,100 |
| Food | 6,500 | 0 |
| Fuel and Utilities | 11,100 | 0 |
| Total | \$500,500 | \$169,000 |

J. OTHER ISSUES

Other issues include a funding shift at the Michigan Schools for the Deaf and Blind from GF/GP to Federal (\$3,538,200); an additional \$482,000 in lease revenue from the Department of Corrections for training academy space at the Michigan School for the Blind site; elimination of lump-sum payments to employees (\$130,400); \$95,100 in funding for an additional special education auditor; and elimination of a \$1,000 "placeholder" for a Federal grant that is no longer available.

| | |
|---------------|-------------|
| Gross | (322,100) |
| IDG | 482,000 |
| Federal | 3,298,700 |
| Local/Private | (14,400) |
| Restricted | (531,400) |
| GF/GP | (3,557,000) |

K. VETOES

The Governor vetoed two boilerplate sections in the Department's budget. The first veto struck language requiring the Department to spend not more than \$50,000 for the advertising of a toll-free antiviolence school hotline. The second veto struck language allowing the Department to use funds to establish a position of school health services consultant. The Department of Management and Budget has interpreted these vetoes as reducing the Department of Education's budget by \$50,000 and \$52,300, respectively.

| | |
|---------|-----------|
| Gross | (102,300) |
| Federal | (37,400) |
| GF/GP | (64,900) |

**DEPARTMENT OF ENVIRONMENTAL QUALITY
P.A. 520 of 2002**

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|---------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 1,672.7 | 1,590.7 | 1,590.7 | (82.0) | (4.9) |
| GROSS | 430,037,130 | 404,825,500 | 405,289,600 | (24,747,530) | (5.8) |
| Less: | | | | | |
| Interdepartmental Grants Received | 17,809,000 | 14,042,900 | 14,042,900 | (3,766,100) | (21.1) |
| ADJUSTED GROSS | 412,228,130 | 390,782,600 | 391,246,700 | (20,981,430) | (5.1) |
| Less: | | | | | |
| Federal Funds | 140,707,600 | 131,531,600 | 131,521,400 | (9,186,200) | (6.5) |
| Local and Private | 1,567,100 | 435,700 | 435,700 | (1,131,400) | (72.2) |
| TOTAL STATE SPENDING | 269,953,430 | 258,815,300 | 259,289,600 | (10,663,830) | (4.0) |
| Less: | | | | | |
| Other State Restricted Funds | 186,339,730 | 184,155,300 | 186,857,100 | 517,370 | 0.3 |
| GENERAL FUND/GENERAL PURPOSE .. | 83,613,700 | 74,660,000 | 72,432,500 | (11,181,200) | (13.4) |
| PAYMENTS TO LOCALS | 5,075,000 | 15,557,500 | 15,547,500 | 10,472,500 | 206.4 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. ENVIRONMENTAL CLEANUP FUND SHIFT

General Fund support for environmental cleanup activities in the contaminated site investigation, cleanup and revitalization, and the leaking underground storage tank cleanup appropriations was shifted to Environmental Response Fund (ERF) support. Except for a \$250,000 GF/GP appropriation that matches a Federal Environmental Protection Agency grant, this action effectively removes all General Fund support for environmental response activities. This action brings total appropriations from the ERF to \$17,900,000. The ERF is supported with revenue from responsible party payments. Annual revenue to the ERF is typically less than \$10,000,000, but there was a Fund balance at the end of FY 2000-01 of nearly \$14,700,000.

| | |
|------------|-------------|
| Gross | 0 |
| Restricted | 8,500,000 |
| GF/GP | (8,500,000) |

B. WATER QUALITY MONITORING

A new appropriation for the establishment of a comprehensive water quality monitoring program, supported with Cleanup and Redevelopment Fund dollars, was proposed by the Legislature and included in the enacted budget. The program will target the Lake St. Clair, St. Clair River, and Clinton River watersheds. The Cleanup and Redevelopment Fund is supported primarily with unclaimed bottle deposit revenue.

| | |
|------------|-----------|
| Gross | 2,500,000 |
| Restricted | 2,500,000 |
| GF/GP | 0 |

C. OIL AND GAS PROGRAMS

1. Base Adjustment

The budget includes a reduction in the level of appropriations from the Oil and Gas Regulatory Fund (OGRF), to reflect expenditure trends more closely. The OGRF is supported primarily with a 1% tax on the value of oil and gas produced in the State. Since the level of the tax on oil and gas production is calculated annually based, in part, on the level of appropriations from the OGRF, this reduction should result in a decrease in the tax rate.

| | |
|------------|-------------|
| Gross | (2,000,000) |
| Restricted | (2,000,000) |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

2. Staff Increase

The budget includes an increase in Oil and Gas Regulatory Fund appropriations to support an increase in oil and gas well inspection activity.

| | |
|------------|---------|
| Gross | 144,000 |
| Restricted | 144,000 |
| GF/GP | 0 |

3. Orphan Well Program

An increase in appropriations from the Orphan Well Fund revenue will accelerate the progress of capping abandoned oil and gas wells.

| | |
|------------|---------|
| Gross | 682,700 |
| Restricted | 682,700 |
| GF/GP | 0 |

D. NPL LANDFILL MATCH GRANTS

The budget includes an increase in Cleanup and Redevelopment Fund revenue for the NPL (National Priority List) Landfill Match Grant Program. The Program reimburses up to 50% of response activity costs at municipal solid waste disposal facilities that are on or proposed for the NPL.

| | |
|------------|-----------|
| Gross | 2,000,000 |
| Restricted | 2,000,000 |
| GF/GP | 0 |

E. ENVIRONMENTAL PROJECT SUPPORT

The Department requires financial instruments (e.g., surety bonds) as a condition of participation in several permitting/environmental programs. The Department currently holds more than \$7,000,000 in such financial instruments, but lacks the appropriation authority to spend from most of these instruments. The budget created a new \$5,000,000 appropriation line item that will enable the Department to spend from the financial instruments it holds to repair environmental damage or assume responsibility for a facility in the event that a permit holder or other entity defaults, or fails to meet the requirements of a permit or other agreement. Appropriations in the Waste Management unit totaling \$2,000,000 that provide spending authority from financial instruments in the event that the Department is required to assume responsibility for a solid waste or hazardous waste disposal facility, were rolled up into the new Environmental Project Support line item.

| | |
|------------|-----------|
| Gross | 3,000,000 |
| Restricted | 3,000,000 |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. REVITALIZATION REVOLVING LOAN PROGRAM

The Revitalization Revolving Loan Program appropriation is eliminated. The line item was created in FY 1998-99 and was to have been supported with Environmental Protection Fund (EPF) dollars. The EPF is supported with the proceeds from the sale of Federal tax credits on the production of certain qualified fuels in which the State owns mineral rights. Due to litigation, money in the Fund was never spent, so a balance of more than \$30,000,000 has accumulated. The litigation was resolved, but the budget dedicates the balance in the EPF to environmental response and cleanup activities only.

| | |
|------------|-------------|
| Gross | (7,000,000) |
| Restricted | (7,000,000) |
| GF/GP | 0 |

G. EARLY RETIREMENT AND BUDGETARY SAVINGS

The budget includes a negative early retirement savings appropriation totaling \$1,481,000, reflecting the anticipated General Fund savings from the 2002 early retirement. A 1% budgetary savings appropriation totaling \$746,600 was included also. The savings will be applied to specific line item appropriations through the legislative transfer mechanism.

| | |
|-------|-------------|
| Gross | (2,227,600) |
| GF/GP | (2,227,600) |

H. 1997 EARLY RETIREMENT PAYOUT

Under the 1997 early retirement program, departments were allowed to spread the payments for accumulated sick leave to retirees over a five-year period. The amounts that had been used to make the sick leave payments are removed from the budget.

| | |
|------------|-----------|
| Gross | (280,200) |
| IDG | (12,100) |
| Federal | (7,600) |
| Restricted | (44,500) |
| GF/GP | (216,000) |

I. STAFF REDUCTION OFFSETS TO ECONOMIC INCREASES

The budget reduces staff and funding in order to offset the cost of economic increases in salaries and wages.

| | |
|-------|-----------|
| FTEs | (15.0) |
| Gross | (761,400) |
| GF/GP | (761,400) |

J. PROGRAM TRANSFERS

A new Information Technology appropriation unit is created. It includes \$7,307,400 transferred from various operating line item appropriations. This funding is appropriated also as an interdepartmental grant from user fees in the new Department of Information Technology, which was created by Executive Order 2001-03. Sixty-seven positions are transferred to the new Department, and the interdivisional charges appropriation for information technology services is eliminated in the Department of Environmental Quality budget.

| | |
|-------|-------------|
| FTE | (67.0) |
| Gross | (3,732,000) |
| IDT | (3,732,000) |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

K. FEE INCREASES

Gross NA

The budget continues to include \$1,550,000 in new fee revenue for septage waste activities. Current fees generate approximately \$150,000 annually. The proposal to restructure and increase fees for the program was made originally in the FY 2001-02 budget. The fees have yet to be enacted.

L. UNCLASSIFIED SALARIES

Gross 9,900
Restricted 700
GF/GP 9,200

The budget includes a 2.0% increase for unclassified salaries, bringing total unclassified salary funding to \$495,800.

M. ECONOMIC ADJUSTMENTS

Gross 2,131,300
IDG 18,000
Federal 300,500
Private 2,000
Restricted 735,900
GF/GP 1,074,900

Standard economic adjustments are applied for salaries and wages, total retirement, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. An offsetting reduction of amounts used to make prior year lump sum salary payments is included as well. These adjustments include:

| Item | Gross | GF/GP |
|----------------------------|-------------|-------------|
| Salaries and Wages | \$1,703,100 | \$631,400 |
| Retirement | 364,800 | 101,400 |
| Lump Sum Payments | (605,100) | (210,600) |
| Building Occupancy Charges | 1,359,300 | 1,051,400 |
| Private Rent | (777,800) | (517,800) |
| Information Technology | 76,400 | 14,400 |
| Workers' Compensation | 10,900 | 4,700 |
| Total | \$2,131,300 | \$1,074,900 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

N. OTHER ISSUES

Other changes include adjustments to reflect the availability of various Federal, local, and State restricted sources of financing, certain mandated inflationary adjustments, the elimination of \$22,500 in residual funding for the low-income community wastewater assistance program that remained after the E.O. 2001-9 reduction, elimination of one-time FY 2001-02 supplemental appropriations and contingency transfer items, adjustments in Clean Michigan Initiative (CMI) administration appropriations consistent with the Department's five-year plan, and the reduction of General Fund support where these adjustments resulted in an increase in total appropriations.

| | |
|------------|--------------|
| Gross | (19,214,230) |
| IDG | (40,000) |
| Federal | (9,479,100) |
| Local | (1,133,400) |
| Restricted | (8,001,430) |
| GF/GP | (560,300) |

O. VETOES

1. Arsenic Testing Program

In FY 2001-02, \$500,000 was appropriated to implement a new Arsenic Testing Program, as allowed by Public Act 165 of 2001 which, in addition to creating a new hazardous waste fee system, allowed the one-time appropriation of up to \$500,000 from the Waste Reduction Fund to implement such a program. The Legislature provided an additional \$500,000 from the Environmental Protection Fund to continue the Arsenic Testing Program in FY 2002-03. The Governor vetoed this funding.

2. Beach Signs

The Governor vetoed \$20,000 in Clean Michigan Initiative - Clean Water Fund appropriations from the surface water surveillance program line item. The funding was to have been allocated, on a cost-share basis, for signs at public beaches that would provide sources of beach water quality information.

**EXECUTIVE
P.A. 528 of 2002**

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|--------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 75.0 | 74.2 | 74.2 | (0.8) | (1.1) |
| GROSS | 5,480,900 | 5,486,300 | 5,399,500 | (81,400) | (1.5) |
| Less: | | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 5,480,900 | 5,486,300 | 5,399,500 | (81,400) | (1.5) |
| Less: | | | | | |
| Federal Funds | 0 | 0 | 0 | 0 | 0.0 |
| Local and Private | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 5,480,900 | 5,486,300 | 5,399,500 | (81,400) | (1.5) |
| Less: | | | | | |
| Other State Restricted Funds | 0 | 0 | 0 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE .. | 5,480,900 | 5,486,300 | 5,399,500 | (81,400) | (1.5) |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0.0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A.. STATE OFFICERS COMPENSATION COMMISSION (SOCC) DETERMINATIONS

| | |
|-------|-------|
| Gross | 5,500 |
| GF/GP | 5,500 |

The budget includes \$800 for costs associated with SOCC determinations for the salaries of the Governor and the Lt. Governor for the last quarter of 2002. The budget also includes \$4,700 to fund up to a 2.0% increase for future SOCC determinations related to 2003.

B. STAFF REDUCTIONS

| | |
|-------|----------|
| FTE | (0.8) |
| Gross | (54,800) |
| GF/GP | (54,800) |

The budget reduces positions to offset employee-related General Fund economic costs.

C. EARLY RETIREMENT SAVINGS

| | |
|-------|----------|
| Gross | (36,600) |
| GF/GP | (36,600) |

The budget includes a reduction based on the impact of early retirement legislation (Public Act 93 of 2002). One Executive Office employee retired under the 2002 early retirement program. The budget reduction reflects savings from not filling that position. Appropriation authorization adjustments required due to negative appropriations for early retirement savings will be made by legislative transfers pursuant to Section 393(2) of the Management and Budget Act.

D. BUDGETARY SAVINGS

| | |
|-------|----------|
| Gross | (50,300) |
| GF/GP | (50,300) |

The budget includes a negative line item appropriation based on a 1% reduction to the Governor's General Fund recommended level of funding due to the May Consensus Revenue Estimating Conference and Leadership Agreement. Appropriation authorization adjustments required due to negative appropriations for budgetary savings will be made by legislative transfers pursuant to Section 393(2) of the Management and Budget Act.

E. UNCLASSIFIED SALARIES

| | |
|-------|--------|
| Gross | 16,700 |
| GF/GP | 16,700 |

The budget increases the line item that funds 8.0 FTE unclassified positions by 2.0%, from \$833,100 to \$849,800.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. ECONOMIC ADJUSTMENTS

Gross 38,100
GF/GP 38,100

Standard economic adjustments are applied for salaries and wages, retirement, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

| Item | Gross | GF/GP |
|---------------------|----------|----------|
| Salaries | \$52,000 | \$52,000 |
| Lump Sum Adjustment | (22,500) | (22,500) |
| Retirement | 8,600 | 8,600 |
| Total | \$38,100 | \$38,100 |

FAMILY INDEPENDENCE AGENCY
P.A. 529 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|-------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 13,499.6 | 12,495.1 | 12,495.1 | (1,004.5) | (7.4) |
| GROSS | 4,003,373,900 | 3,956,405,700 | 4,074,490,500 | 71,116,600 | 1.8 |
| Less: | | | | | |
| Interdepartmental Grants Received | 965,300 | 978,800 | 978,800 | 13,500 | 1.4 |
| ADJUSTED GROSS | 4,002,408,600 | 3,955,426,900 | 4,073,511,700 | 71,103,100 | 1.8 |
| Less: | | | | | |
| Federal Funds | 2,676,333,850 | 2,604,621,650 | 2,754,318,050 | 77,984,200 | 2.9 |
| Local and Private | 96,009,550 | 76,965,850 | 76,813,550 | (19,196,000) | (20.0) |
| TOTAL STATE SPENDING | 1,230,065,200 | 1,273,839,400 | 1,242,380,100 | 12,314,900 | 1.0 |
| Less: | | | | | |
| Other State Restricted Funds | 59,284,400 | 65,388,800 | 65,388,800 | 6,104,400 | 10.3 |
| GENERAL FUND/GENERAL PURPOSE .. | 1,170,780,800 | 1,208,450,600 | 1,176,991,300 | 6,210,500 | 0.5 |
| PAYMENTS TO LOCALS | 173,288,400 | 207,056,200 | 207,056,200 | 33,767,800 | 19.5 |

A. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

The Federal welfare reform block grant, created by the Personal Responsibility and Work Opportunity Act of 1996, provides support for poor and low-income families through work incentives, such as employment placement and training opportunities and other related state programs. The five-year Federal authorization expires at the end of FY 2001-02. The block grant legislation is undergoing reauthorization by the U.S. Congress. The reduction in welfare caseloads over the past five years allows for a cost shift from General Fund/General Purpose (GF/GP) spending to block grant fund support. Due to an FY 2000-01 and 2001-02 overestimate of available block grant funds, however, a reduction in FY 2001-02 expenditures, a number of fund source shifts, and program reductions are included in the budget assumptions to adjust TANF spending.

The State receives a basic grant allotment of \$775,353,000. The State is allowed to carry forward any unspent block funds from the previous year. It is anticipated that Michigan will have \$818,533,600 in TANF funds to spend in FY 2002-03, approximately 30% of the department's appropriated Federal funding. The funds are appropriated in the State budgets for the Family Independence Agency (FIA), Department of Career Development, and Department of Community Health. Each year states are required to maintain spending for qualified state expenditures of at least 80% (or 75% if a state meets Federal work participation requirements) of the state's historic state expenditure level. Michigan meets the work participation requirements, is required to spend at least \$468,518,400 in State funds, and counts State GF/GP spending for FY 2002-03 in the following State departments: FIA, Community Health, Education, and Transportation. The FIA appropriation assumes use of TANF funds in FY 2002-03 to include continuation of FY 2001-02 spending and the adjustments described below.

| | | FY 2002-03 Change from FY 2001-02 Year-to-Date |
|--|---------|---|
| 1. Family Independence Program (FIP) | Gross | 24,439,600 |
| | Federal | 4,439,600 |
| | GF/GP | 20,000,000 |
| <p>The appropriation includes a projected FIP caseload increase of 4,700 to an average of 79,700 cases and assumes a decrease in the cost per case of \$2 to an average of \$389 per month. Additional GF/GP support is appropriated to finance the projected increased caseload. An adjustment in the school clothing allowance funding results in a reduction of \$50 to \$25 per eligible child aged 4 to 18 years old. Section 413 provides for the contingent use of \$28,785,700 of \$34,785,700 in the anticipated refund of the Child Support Enforcement System (CSES) penalty funds paid by the State for tardy implementation of the CSES. Of the \$28,785,700 in contingency funds, \$4,300,000 may be used for the school clothing allowance, for a possible \$50 per eligible child.</p> | | |
| 2. Child Care Fund | Gross | 28,600,000 |
| | Federal | 5,800,000 |
| | Local | (5,000) |
| | GF/GP | 22,805,000 |
| <p>The budget includes an increase for the anticipated growth in the Child Care Fund (CCF) caseload. The increase is financed in part with TANF funds, including a fund source shift in GF/GP dollars from juvenile justice operations, because of the inability to earn Federal TANF funds for delinquency programs. The local revenue reduction reflects the inability to earn these funds, and therefore is replaced with GF/GP.</p> | | |
| 3. Day Care Services | Gross | 5,510,000 |
| | Federal | (42,765,400) |
| | GF/GP | 48,275,400 |
| <p>The budget projections for day care services include a decrease in the average caseload of 4,700 to 65,000 cases and an increase in the average cost per case of \$45 to \$573 per case per month that is financed with additional TANF funds. The appropriation includes the increased use of the Child Care and Development Fund (CCDF) available State allocation and \$15,300,000 GF/GP transferred from other department appropriation units to draw down additional available CCDF in order to save approximately \$58,577,800 in TANF funds' spending. The Before- or After-school Program for families with incomes below 200% of the poverty level is reduced by approximately \$3,000,000 and no longer is funded with TANF dollars as in past years, but with \$10,000,000 GF/GP. Section 413 earmarks \$2,700,000 for the Before- or After-school programs for a possible \$12,700,000 available for the program.</p> | | |

| | | FY 2002-03 Change from FY 2001-02 Year-to-Date | |
|-----------|--|---|--------------|
| 4. | Other Issues | Gross | (37,462,500) |
| | | Federal | (27,462,500) |
| | | GF/GP | (10,000,000) |
| | <p>The appropriation includes \$150,000 for the Created for Caring program, an increase of \$37,500 above the FY 2001-02 appropriation. The Family Formation Pilot Program, including services to families such as parenting, budgeting and other new parent training and support skills, is funded by a TANF funds transfer from the Child Well Being Program, which is no longer funded with TANF funds. The Homestead Property Tax Credit is financed with Federal Social Services Block Grant funds, eliminating the use of TANF funds. The budget includes a projected 18% decrease in Community Services Block Grant appropriation, although a \$2,600,000 increase in the Federal block grant award is anticipated in FY 2002-03. Also, the reduced amount of \$650,000 is included in Section 413 for a possible \$3,200,000 available for community action agencies. The employment and training appropriation includes the elimination of \$250,000 for the innovation grants, and \$500,000, or 50%, for the Fatherhood Initiative; however, \$500,000 is earmarked in Section 413, making a possible \$1,000,000 available for the initiative.</p> | | |
| B. | ADMINISTRATION AND TECHNOLOGY | | |
| 1. | Food Stamp Reinvestment | Gross | 5,700,000 |
| | | GF/GP | 5,700,000 |
| | <p>The FY 1999-2000 supplemental appropriation of \$18,813,200 was used in FIA efforts to pay food stamp error rate penalties and invest GF/GP funds in the program to avoid further Federal penalties. The program is intended to assist in training staff and developing efficiencies to avoid further error rate problems. Since the food stamp error problems have not been resolved, the additional funds are appropriated.</p> | | |
| 2. | Grand Tower Facility Reimbursement | Gross | 2,150,000 |
| | | Federal | 1,397,500 |
| | | GF/GP | 752,500 |
| | <p>The appropriation is intended to reflect the annual costs for debt service on bonds the State sold to purchase the Grand Tower, the FIA office building located in Lansing, Michigan. The appropriation will enable the State to claim Federal funds for these payments and a corresponding appropriation line is located in the Capital Outlay appropriation for additional costs.</p> | | |

| | | FY 2002-03 Change from FY 2001-02 <u>Year-to-Date</u> |
|--|---------|--|
| 3. Services for the Blind | Gross | 20,000 |
| <p>The budget includes a fund source shift of private to Federal funds for the Commission for the Blind because private funds have not been earned. The budget includes a \$20,000 GF/GP increase for program maintenance. A transfer of \$260,000 Gross, GF/GP from the Commission appropriation is included to create a new appropriation line for the existing Youth Low Vision Program.</p> | Federal | 500,000 |
| | Private | (500,000) |
| | GF/GP | 20,000 |
| 4. Information Technology Services and Projects | FTEs | (356.0) |
| <p>A new appropriation unit is created in the FIA budget through the transfer of \$185,827,500 Gross, \$54,515,100 GF/GP in technology and related operations funding from within the FIA budget. Four lines are included in the unit: Information technology services and projects, Child support automation, Client services system, and Data system enhancement. The associated full-time equated positions are not transferred to the unit, but are eliminated from the FIA budget and are assumed in the new Michigan Department of Information Technology budget. The funds are transferred from technology operations and associated technology support lines in the Executive Operations and the Family Independence Services Administration units, Commission for the Blind, and the Central Support unit travel, equipment, and fringe benefits costs appropriation lines. The transfer has a zero net effect on the budget funding.</p> | Gross | 0 |
| | GF/GP | 0 |
| 5. Payroll Taxes and Fringe Benefits Account | Gross | 18,767,100 |
| <p>The budget includes \$20,750,000 in Federal funds that adjust the FY 2002-03 appropriation to the FIA spending level since FY 2000-01 and lessen the probability for a transfer request to use the funds. The FY 1996-97 early retirement payouts expire in FY 2002-03, the end of the five-year payout period, resulting in budget savings of \$2,218,800 Gross, \$1,002,000 GF/GP. The benefit funds for the new Foster Care contract monitors and Client Services System staff are transferred to this account.</p> | Federal | 19,747,100 |
| | GF/GP | (980,000) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

C. FINANCE ADJUSTMENTS

The budget includes a decrease in the Federal revenue match rate and an offset in GF/GP dollars due to the inability to earn revenues; general budget savings obtained through reductions in CSES workload and contracted expected spending; annualized estimates for FY 2001-02 and FY 2002-03 associated with Executive Order 2001-09 for staff and fund source adjustments; and full-year hiring freeze estimates for FY 2001-02 and FY 2002-03. A projected saving in contractual services, supplies and material accounts is used for other budget programs.

| | |
|------------|--------------|
| FTEs | (447.0) |
| Gross | (23,548,800) |
| Federal | (21,055,800) |
| Local | (5,378,000) |
| Private | (483,200) |
| Restricted | 12,151,700 |
| GF/GP | (8,792,700) |

D. OTHER STATE ASSISTANCE

The appropriation includes a projected State Disability Assistance (SDA) caseload increase of 900 to 7,900 cases and a cost per case decrease of \$10.46 to \$233.54 per month. The budget includes a projected increase in the State Emergency Relief Programs Federal authorization for the cost of emergency services and \$600,000 is earmarked in Section 413 for multicultural contracts to a possible level of \$610,000 GF/GP available to restore funds eliminated by Executive Order 2001-09. The State Supplementation account was reduced by \$100,000 to reflect estimated overfunding and the base funding includes a \$610,000 transfer to the Budgetary Savings unit to satisfy an FY 2001-02 negative balance. An estimated Federal administrative rate increase of approximately forty-two cents, or 4.9%, to \$8.92 per case for the State supplement for Supplemental Security Income (SSI) recipients is included. The budget includes an increase of \$241,000 Gross, GF/GP, reflecting a fund transfer from the State Supplementation appropriation line.

| | |
|---------|-----------|
| FTEs | (2.0) |
| Gross | 9,202,600 |
| Federal | 8,424,600 |
| GF/GP | 778,000 |

E. FEDERALLY FUNDED PROGRAMS

The budget includes a Food Assistance (formerly Stamp) Program Benefits average caseload increase of 112,800 up to 413,200 cases and an increase in the average cost per case of \$16 to approximately \$168 per month. The budget includes an increase for the Refugee Assistance Program for the projected increase in unaccompanied Sudanese minors and associated refugee medical costs. The budget includes an increase in the Low Income Home Energy Assistance (LIHEAP) funds based on a projected increase in the Federal grant award. The budget includes additional Federal funds that will be available for legal services contracts associated with child support collection activity.

| | |
|---------|-------------|
| Gross | 307,891,800 |
| Federal | 307,891,800 |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. CHILD AND FAMILY SERVICES

1. Foster Care and Adoption

The appropriation includes a reduction in the foster care caseload of 2,122 to 11,978 cases and a six-month 1% rate increase for private placing agencies and residential treatment facilities. The budget includes a six-month 1% rate increase for adoption support services and an adoption caseload increase of 3,300 to 24,500 cases.

| | |
|---------|--------------|
| Gross | (34,006,400) |
| Federal | (16,769,800) |
| Local | (8,388,700) |
| GF/GP | (8,847,900) |

2. Juvenile Justice Services

The budget includes estimated savings as a result of the closing of the Genesee Valley Residential Center and fewer beds, full-time equated positions, and the elimination of one-time FY 2001-02 base funds for the man-down security system implementation, computers and printers for improved facility operations at the Maxey Boys Training School. The budget includes increased private funds from imposed user fees to support the new Juvenile Justice Online Technology (JJOLT) system and increased Federal Juvenile Accountability Incentive Block Grant authority to enable the FIA to spend all available Federal funds. The appropriation eliminates funds for county shelters because the funds have not been used since FY 1999-2000 and the FIA anticipates no future use of the funds.

| | |
|---------|-------------|
| FTEs | (156.0) |
| Gross | (9,530,500) |
| Federal | (2,430,600) |
| Local | (5,753,900) |
| Private | 600,000 |
| GF/GP | (1,946,000) |

G. UNCLASSIFIED SALARIES

No increase is included for FY 2002-03.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

H. EARLY RETIREMENT AND BUDGETARY SAVINGS

The appropriation includes a Legislature and Administration consensus agreement for a \$21,301,700 GF/GP reduction based on the Administration's early retirement program projected savings and an additional 1% reduction of \$8,726,500 GF/GP in budgetary savings as a result of the State's reduced projected available revenue. A transfer of \$610,500 Gross, GF/GP was made from the State Supplementation account to the Budgetary Savings Unit to satisfy the negative balance in the FY 2001-02 budget. The appropriation includes in Section 268 \$4,600,000 for administrative budgetary savings and \$600,000 for multicultural assimilation programs, which were contingent upon a cigarette tax increase of 30 cents or more per pack by the end of FY 2001-02.

Gross (29,428,200)
GF/GP (29,428,200)

I. ECONOMIC ADJUSTMENTS

Standard economic adjustments are included for salaries and wages, total retirement, rent, fuel and food, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. In addition, GF/GP savings from staff reductions are used to finance the staff economic adjustments. These adjustments include:

FTEs (43.5)
Gross 4,828,800
IDG 4,300
Federal 4,809,700
Local 376,600
Private 29,500
Restricted 3,200
GF/GP (394,500)

| Item | Gross | GF/GP |
|------------------|-------------|-------------|
| Salaries | \$6,124,000 | \$2,273,000 |
| Retirement | 2,293,500 | 855,000 |
| Staff Reductions | (2,966,200) | (2,966,200) |
| Other | (622,500) | (556,300) |
| Total | \$4,828,800 | \$(394,500) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

J. VETOES

1. Family Preservation and Prevention Services

The Governor vetoed Section 407, which would have provided TANF funds for a contract with Created for Caring, an employment and skills training program.

| | |
|---------|-----------|
| Gross | (150,000) |
| Federal | (150,000) |
| GF/GP | 0 |

2. Child Support Enforcement System Penalty Refund

The Governor vetoed portions of Section 413, which would have provided funds for expansion of FIA basic programs and creation of new contracts if CSES penalties were refunded to the State. The vetoes consist of the following:

| | |
|-------|---|
| Gross | 0 |
| GF/GP | 0 |

| Program | GF/GP |
|---|--------------------|
| Before- or After-school Programs | \$2,700,000 |
| Food Bank Council | 250,000 |
| Michigan Marriage and Fatherhood Commission | 50,000 |
| Michigan Miracle Manor | 150,000 |
| Domestic Violence Parenting Centers | 250,000 |
| Emergency Homeless Shelter Pilot Program | 150,000 |
| Medicaid Spend-down Analysis | 100,000 |
| Multicultural Assimilation Programs | 600,000 |
| TOTAL | <u>\$4,250,000</u> |

3. Foster Care Payments and Adoption Support Services

The Governor vetoed Section 519, which would have provided a six-month 1% rate increase for private child placing agencies and residential treatment centers that provide statewide foster care and adoption support services.

| | |
|---------|-----------|
| Gross | (872,400) |
| Federal | (248,000) |
| Local | (193,300) |
| GF/GP | (431,100) |

| | | FY 2002-03 Change from FY 2001-02 <u>Year-to-Date</u> |
|---|---------|--|
| 4. Day Care | Gross | (100,000) |
| | Federal | (100,000) |
| | GF/GP | 0 |
| The Governor vetoed Section 668, which would have provided a community-based child care pilot program to serve children 6 to 15 years of age, through the leverage of child care funding with matching funds provided by the SMART moves program, when families select this boys and girls club program as the care provider. | | |
| 5. Juvenile Justice Operations | Gross | (1,000,000) |
| | GF/GP | (1,000,000) |
| The Governor vetoed Section 710, which would have provided continued contracts for juvenile justice day treatment services in Genesee and St. Clair Counties. | | |

**HIGHER EDUCATION
P.A. 144 of 2002**

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|---------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 1.0 | 0.0 | 1.0 | 0 | 0.0 |
| GROSS | 1,935,042,366 | 1,939,071,166 | 1,943,345,166 | 8,302,800 | 0.4 |
| Less: | | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 1,935,042,366 | 1,939,071,166 | 1,943,345,166 | 8,302,800 | 0.4 |
| Less: | | | | | |
| Federal Funds | 4,900,000 | 5,500,000 | 5,500,000 | 600,000 | 12.2 |
| Local and Private | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 1,930,142,366 | 1,933,571,166 | 1,937,845,166 | 7,702,800 | 0.4 |
| Less: | | | | | |
| Other State Restricted Funds | 117,473,850 | 121,573,850 | 125,573,850 | 8,100,000 | 6.9 |
| GENERAL FUND/GENERAL PURPOSE .. | 1,812,668,516 | 1,811,997,316 | 1,812,271,316 | (397,200) | (0.02) |
| PAYMENTS TO LOCALS | 4,050,073 | 4,029,061 | 4,029,061 | (21,012) | (0.5) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. UNIVERSITY OPERATIONS

| | |
|-------|---|
| Gross | 0 |
| GF/GP | 0 |

The Governor, Senate, and House agreed to retain the FY 2001-02 funding levels for the operations line items of the 15 public universities for FY 2002-03 if universities exercise tuition restraint during the upcoming academic year. Section 436 of the boilerplate language outlines the tuition restraint policy, which includes the following elements:

- The FY 2002-03 appropriation for any university will not be reduced from its FY 2001-02 amount if that university adopts a tuition and fee rate increase for resident undergraduate students that is 8.5% or less over the prior year, or a total increase of \$425 or less over the prior year, whichever is greater.
- The university must report to the State Budget Director and the House and Senate Appropriations Committees that the university experienced cost increases in excess of the increase in the Detroit Consumer Price Index, for utilities, retirement, health care, or technology.
- The universities voluntarily agree to these tuition restraint conditions and transmit a letter confirming this agreement to the Legislature by February 28, 2002.
- Any university that does not conform to the tuition restraint conditions will have its appropriation reduced by an amount equal to the excess tuition revenue, and that revenue would be redistributed (based on each university's percentage share of FY 2001-02 base appropriations) to those universities that honor the tuition restraint commitment.

Table 1 outlines the FY 2002-03 appropriations for universities, as well as grants and financial aid.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

B. PROGRAM REDUCTIONS

| | |
|-------|----------|
| Gross | (25,000) |
| GF/GP | (25,000) |

The Governor's budget recommended a reduction of \$191,500 for Project GREEN, which is funded through the Agricultural Experiment Station and the Cooperative Extension Service. The Senate and House did not concur with this reduction and retained the FY 2001-02 funding level of \$6,191,500 for Project GREEN (Generating Research and Extension to meet Economic and Environmental Needs), which is an initiative to boost the State's economy by expanding its plant-based agriculture and processing industries through research and educational programs while protecting the quality of the environment.

The Governor proposed to reduce funding for the Higher Education Institutional Data Inventory (HEIDI) database from \$275,000 to \$250,000. The HEIDI database has successfully implemented a web-based data upload and extraction process, which allows for some cost savings. The Senate and House concurred with the database reduction of \$25,000.

C. PROGRAM ELIMINATIONS

| | |
|-------|---|
| Gross | 0 |
| GF/GP | 0 |

The Governor's budget eliminated funding for three programs: the Michigan Molecular Institute, a nonprofit research institute that specializes in the fields of polymer science and composite materials (\$236,900); the Spring Arbor University education program at Jackson State Prison (\$135,300); and Midwest Higher Education Compact dues (\$82,500). The Senate and House retained all of these programs, although all but the Compact dues were subsequently vetoed by the Governor.

D. ADDITIONAL FEDERAL FUNDS

| | |
|---------|---------|
| Gross | 600,000 |
| Federal | 600,000 |
| GF/GP | 0 |

The Governor, Senate, and House included \$300,000 in new Federal funds for State Competitive Scholarships and \$300,000 in new Federal funds for Robert Byrd Honors Scholarships. The State Competitive Scholarship Program will have total FY 2002-03 funding of \$36,654,616, which consists of \$33,054,616 in State GF/GP dollars and \$3,600,000 in Federal revenue. The Robert Byrd Honors Scholarships are funded completely from Federal dollars, and the FY 2002-03 total will be \$1,900,000.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

E. TOBACCO SETTLEMENT

1. Rare Isotope Accelerator. The Governor, Senate, and House included new funding of \$2,000,000 for design and architectural studies related to the Rare Isotope Accelerator (RIA) facilities that Michigan State University hopes to build if it is awarded the Federal RIA project. These dollars are appropriated for the development of a program statement and preliminary design documents for the RIA office building and for evaluation and prototyping of the RIA design elements. The fund source for this appropriation is the Tobacco Settlement Trust Fund.

Gross 2,000,000
Restricted 2,000,000
GF/GP 0

2. Nursing Scholarship Program. The Senate and House established a new program, to be administered by the Michigan Higher Education Assistance Authority, that will provide awards to nursing students who agree to work in Michigan after they are licensed. Enabling legislation (Senate Bills 792 and 793) is still under review in the Legislature. The fund source for this appropriation is the Michigan Merit Award Trust Fund.

Gross 4,000,000
Restricted 4,000,000
GF/GP 0

3. Michigan Merit Award Scholarships. The Governor, Senate, and House included an additional \$2,100,000 for the Michigan Merit Award Scholarships to provide total FY 2002-03 funding of \$114,323,850. The Department of Treasury reports that for the high school class of 2001, 48,760 students qualified for the \$2,500 scholarships, and 37,780 of those students had reported their choice of postsecondary educational institution. If all 37,780 students receive the \$2,500 maximum grant, there will be FY 2001-02 expenditures of \$94,450,000 for the scholarships.

Gross 2,100,000
Restricted 2,100,000
GF/GP 0

F. VETOES

As mentioned in Item C above, the Governor's budget eliminated funding for the Michigan Molecular Institute (\$236,900) and the Spring Arbor University education program at Jackson State Prison (\$135,300). The Senate and House restored these programs but the Governor subsequently vetoed both.

Gross (372,200)
GF/GP (372,200)

Table 1: HIGHER EDUCATION FY 2002-03 ENACTED APPROPRIATIONS

| | (1) FY 2001-02 Year-to-Date | (2) 2001-02 Approp Per Student* | (3) Reduce Higher Ed. Database | (4) New Fed Funds for Byrd & State Comp | (5) Rare Isotope & Nursing | (6) Increase for Merit Award Program | (7) FY 2002-03 Enrolled | (8) Veto | (9) FY 2002-03 P.A. 144 of 2002 | (10) \$ Change from 2001-02 | (11) % Change from 2001-02 |
|-----------------------------------|-----------------------------------|---------------------------------------|--------------------------------------|---|----------------------------------|--|-------------------------------|------------------|---------------------------------------|-----------------------------------|----------------------------------|
| UNIVERSITIES | | | | | | | | | | | |
| Central | 90,003,800 | 4,423 | | | | | 90,003,800 | | 90,003,800 | 0 | 0.0% |
| Eastern | 87,637,200 | 4,697 | | | | | 87,637,200 | | 87,637,200 | 0 | 0.0% |
| Ferris | 55,520,300 | 6,183 | | | | | 55,520,300 | | 55,520,300 | 0 | 0.0% |
| Grand Valley | 60,095,400 | 3,874 | | | | | 60,095,400 | | 60,095,400 | 0 | 0.0% |
| Lake Superior | 14,268,700 | 5,191 | | | | | 14,268,700 | | 14,268,700 | 0 | 0.0% |
| Michigan State | 325,982,300 | 8,137 | | | | | 325,982,300 | | 325,982,300 | 0 | 0.0% |
| Michigan Tech | 55,241,600 | 9,384 | | | | | 55,241,600 | | 55,241,600 | 0 | 0.0% |
| Northern | 52,012,900 | 7,033 | | | | | 52,012,900 | | 52,012,900 | 0 | 0.0% |
| Oakland | 52,384,700 | 4,376 | | | | | 52,384,700 | | 52,384,700 | 0 | 0.0% |
| Saginaw Valley | 27,393,300 | 4,130 | | | | | 27,393,300 | | 27,393,300 | 0 | 0.0% |
| UM-Ann Arbor | 363,562,700 | 9,819 | | | | | 363,562,700 | | 363,562,700 | 0 | 0.0% |
| UM-Dearborn | 27,993,300 | 4,687 | | | | | 27,993,300 | | 27,993,300 | 0 | 0.0% |
| UM-Flint | 24,068,100 | 4,858 | | | | | 24,068,100 | | 24,068,100 | 0 | 0.0% |
| Wayne State | 253,644,700 | 11,119 | | | | | 253,644,700 | | 253,644,700 | 0 | 0.0% |
| Western | 125,677,200 | 5,304 | | | | | 125,677,200 | | 125,677,200 | 0 | 0.0% |
| Ag Experiment Station (AES) | 36,848,700 | | | | | | 36,848,700 | | 36,848,700 | 0 | 0.0% |
| Cooperative Extension (CES) | 31,782,600 | | | | | | 31,782,600 | | 31,782,600 | 0 | 0.0% |
| Rare Isotope Accelerator | 0 | | | | 2,000,000 | | 2,000,000 | | 2,000,000 | 2,000,000 | N/A |
| Michigan Molecular Institute | 236,900 | | | | | | 236,900 | (236,900) | 0 | (236,900) | (100.0)% |
| Japan Center | 305,300 | | | | | | 305,300 | | 305,300 | 0 | 0.0% |
| Higher Education Database | 275,000 | | (25,000) | | | | 250,000 | | 250,000 | (25,000) | (9.1)% |
| Midwest Higher Ed Compact | 82,500 | | | | | | 82,500 | | 82,500 | 0 | 0.0% |
| King-Chavez-Parks | 2,990,600 | | | | | | 2,990,600 | | 2,990,600 | 0 | 0.0% |
| TOTAL UNIVERSITIES | 1,688,007,800 | 6,944 | (25,000) | 0 | 2,000,000 | 0 | 1,689,982,800 | (236,900) | 1,689,745,900 | 1,738,100 | 0.1% |
| Tobacco Trust Fund | 0 | | 0 | 0 | 2,000,000 | 0 | 2,000,000 | 0 | 2,000,000 | 2,000,000 | N/A |
| State GF/GP | 1,688,007,800 | | (25,000) | 0 | 0 | 0 | 1,687,982,800 | (236,900) | 1,687,745,900 | (261,900) | (0.02)% |
| GRANTS & FINANCIAL AID | | | | | | | | | | | |
| Competitive Scholarships | 36,354,616 | | | 300,000 | | | 36,654,616 | | 36,654,616 | 300,000 | 0.8% |
| Tuition Grants | 66,100,200 | | | | | | 66,100,200 | | 66,100,200 | 0 | 0.0% |
| Work Study | 8,015,800 | | | | | | 8,015,800 | | 8,015,800 | 0 | 0.0% |
| Part-time Independent | 2,903,000 | | | | | | 2,903,000 | | 2,903,000 | 0 | 0.0% |
| Dental Degree | 5,052,300 | | | | | | 5,052,300 | | 5,052,300 | 0 | 0.0% |
| General Degree | 6,319,400 | | | | | | 6,319,400 | (135,300) | 6,184,100 | (135,300) | (2.1)% |
| Allied Health Degree | 935,100 | | | | | | 935,100 | | 935,100 | 0 | 0.0% |
| Ed. Opportunity Grants (MEOG) | 2,280,300 | | | | | | 2,280,300 | | 2,280,300 | 0 | 0.0% |
| Byrd Scholarships | 1,600,000 | | | 300,000 | | | 1,900,000 | | 1,900,000 | 300,000 | 18.8% |
| Nursing Scholarship Program | 0 | | | | 4,000,000 | | 4,000,000 | | 4,000,000 | 4,000,000 | N/A |
| Michigan Merit Award Program | 112,223,850 | | | | | 2,100,000 | 114,323,850 | | 114,323,850 | 2,100,000 | 1.9% |
| Tuition Incentive Program (TIP) | 5,250,000 | | | | | | 5,250,000 | | 5,250,000 | 0 | 0.0% |
| TOTAL FINANCIAL AID | 247,034,566 | | 0 | 600,000 | 4,000,000 | 2,100,000 | 253,734,566 | (135,300) | 253,599,266 | 6,564,700 | 2.7% |
| Federal | 4,900,000 | | 0 | 600,000 | 0 | 0 | 5,500,000 | 0 | 5,500,000 | 600,000 | 12.2% |
| Merit Award Trust Fund | 117,473,850 | | 0 | 0 | 4,000,000 | 2,100,000 | 123,573,850 | 0 | 123,573,850 | 6,100,000 | 5.2% |
| State GF/GP | 124,660,716 | | 0 | 0 | 0 | 0 | 124,660,716 | (135,300) | 124,525,416 | (135,300) | (0.1)% |
| TOTAL HIGHER EDUCATION | 1,935,042,366 | | (25,000) | 600,000 | 6,000,000 | 2,100,000 | 1,943,717,366 | (372,200) | 1,943,345,166 | 8,302,800 | 0.4% |
| TOTAL FEDERAL | 4,900,000 | | 0 | 600,000 | 0 | 0 | 5,500,000 | 0 | 5,500,000 | 600,000 | 12.2% |
| TOTAL STATE RESTRICTED | 117,473,850 | | 0 | 0 | 6,000,000 | 2,100,000 | 125,573,850 | 0 | 125,573,850 | 8,100,000 | 6.9% |
| TOTAL STATE GF/GP | 1,812,668,516 | | (25,000) | 0 | 0 | 0 | 1,812,643,516 | (372,200) | 1,812,271,316 | (397,200) | (0.02)% |

* FY 2000-01 Fiscal-Year-Equated Students (FYES)

DEPARTMENT OF HISTORY, ARTS, AND LIBRARIES
P.A. 523 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|--------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 139.7 | 240.5 | 241.5 | 101.8 | 72.9 |
| GROSS | 77,857,200 | 72,264,800 | 71,486,200 | (6,371,000) | (8.2) |
| Less: | | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 77,857,200 | 72,264,800 | 71,486,200 | (6,371,000) | (8.2) |
| Less: | | | | | |
| Federal Funds | 10,111,800 | 7,111,300 | 8,111,300 | (2,000,500) | (19.8) |
| Local and Private | 577,400 | 577,400 | 577,400 | 0 | 0.0 |
| TOTAL STATE SPENDING | 67,168,000 | 64,576,100 | 62,797,500 | (4,370,500) | (6.5) |
| Less: | | | | | |
| Other State Restricted Funds | 2,247,400 | 1,900,900 | 1,900,900 | (346,500) | (15.4) |
| GENERAL FUND/GENERAL PURPOSE .. | 64,920,600 | 62,675,200 | 60,896,600 | (4,024,000) | (6.2) |
| PAYMENTS TO LOCALS | 32,425,000 | 32,668,200 | 32,568,200 | 143,200 | 0.4 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

| | | |
|--|----------------|----------------------------|
| A. ARTS AND CULTURAL GRANTS | Gross GF/GP | (250,000) (250,000) |
| The bill reduces the Arts and Cultural Grants by \$250,000, from \$23,792,600 to \$23,542,600. | | |
| B. THUNDER BAY NATIONAL MARINE SANCTUARY AND UNDERWATER PRESERVE | Gross GF/GP | 250,000 250,000 |
| The budget provides \$250,000 for the first of four years of funding for conservation of underwater shipwreck sites. This provides State matching funds for a Federal grant that is already providing funds for this project. | | |
| C. ARTS AND CULTURAL SUPPLEMENTAL GRANTS | Gross GF/GP | (2,000,000) (2,000,000) |
| The budget does not include this one-time funding for this grant program. | | |
| D. MUSEUM OF AFRICAN-AMERICAN HISTORY | Gross GF/GP | (1,000,000) (1,000,000) |
| The budget eliminates one-time grant funding for the Museum of African-American History. | | |
| E. RENAISSANCE ZONE REIMBURSEMENT | Gross GF/GP | (68,300) (68,300) |
| The amount reflected in this budget is less than the current year due to late transfers and supplementals made to the FY 2001-02 budget. This line reimburses libraries for tax revenues foregone due to inclusion in renaissance zones. The cost of this reimbursement has increased over the last years due to increases in local mileage rates and increased construction in these zones. | | |
| F. DEPARTMENT FTE COUNT ADJUSTMENT | FTE | 111.0 |
| The budget includes 111.0 additional FTEs to provide authorization for employees brought into the executive branch due to the transfer of the Library of Michigan to the Department of History, Arts, and Libraries (HAL) in FY 2001-02. | | |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

G. GRAND RAPIDS AND DETROIT LIBRARIES

The budget includes a \$64,800 GF/GP reduction for the Grand Rapids Library and a \$935,200 GF/GP reduction to the Detroit Library. This funding is replaced by Federal Reed Act dollars that will be used to buy computers and train staff to service the unemployed within their regions.

| | |
|---------|-------------|
| Gross | (1,000,000) |
| Federal | 0 |
| GF/GP | (1,000,000) |

H. FEDERAL AID TO LIBRARIES

The budget does not include one-time Federal Reed Act funding that was made available to all libraries throughout the State in FY 2001-02 to buy computers and train staff to service the unemployed within their regions.

| | |
|---------|-------------|
| Gross | (2,000,000) |
| Federal | (2,000,000) |
| GF/GP | 0 |

I. BUDGETARY & EARLY RETIREMENT SAVINGS

The budget contains a new appropriation unit that includes the total reductions that will be taken for both early retirement and an overall General Fund 1% cut. The negative adjustments will be taken from specific line items through the legislative transfer process.

| | |
|-------|-----------|
| Gross | (773,100) |
| GF/GP | (773,100) |

J. PROGRAM TRANSFERS

1. Department of Information Technology

The budget transfers 10.0 FTEs to the Department of Information Technology. The budget also includes \$1,166,100 in a new appropriation for Information Technology. The funding is represented as an IDG from user fees in the Department of Information Technology.

| | |
|-----|--------|
| FTE | (10.0) |
|-----|--------|

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

2. Transfer into Department Operations

FTE 4.0
Gross 461,800
GF/GP 461,800

The budget transfers to the Department of History, Arts, and Libraries the following positions and funding:

From Secretary of State: 2.0 FTEs and \$261,800
From Natural Resources: 1.0 FTE and \$50,000
From Consumer and Industry Services: 1.0 FTE and \$150,000

This brings into HAL from those departments resources that formerly were associated with administration of arts grants, the historical program, and the Mackinac Island State Park Commission.

K. UNCLASSIFIED SALARIES

Gross 99,400
GF/GP 99,400

The budget increases the unclassified salaries appropriation line by \$91,300 to include the salary of the State Librarian. In addition, \$8,100 is added to correct the underfunding from the FY 2001-02 increase.

L. ECONOMIC ADJUSTMENTS

Gross 485,800
Federal 5,000
Restricted 2,300
GF/GP 478,500

The budget includes the following economic adjustments:

| Item | Gross | GF/GP |
|-----------------------|-----------|-----------|
| Salary and Wages | \$206,500 | \$186,500 |
| Lump Sum Adjustment | (84,000) | (68,000) |
| Retirement | 87,600 | 84,300 |
| Workers' Compensation | (24,900) | (24,900) |
| Building Occupancy | 300,600 | 300,600 |
| Total | \$485,800 | \$478,500 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

L. OTHER

The budget includes a staff reduction of 3.2 FTEs and \$179,200 to fund economic adjustments, removal of \$42,200 to reflect the end of payments under the 1997 early retirement program, addition of \$30,500 in airport fees available for Mackinac Island State Park operations, reduction of \$357,000 in revenue bond funds available for park operations, and a General Fund adjustment.

| | |
|------------|-----------|
| FTE | (3.2) |
| Gross | (576,600) |
| Federal | (5,500) |
| Restricted | (348,800) |
| GF/GP | (222,300) |

DEPARTMENT OF INFORMATION TECHNOLOGY
P.A. 528 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 0.0 | 1,765.4 | 1,765.4 | 1,765.4 | -- |
| GROSS | 0 | 427,508,800 | 424,006,800 | 424,006,800 | -- |
| Less: | | | | | |
| Interdepartmental Grants Received | 0 | 427,508,800 | 424,006,800 | 424,006,800 | -- |
| ADJUSTED GROSS | 0 | 0 | 0 | 0 | 0.0 |
| Less: | | | | | |
| Federal Funds | 0 | 0 | 0 | 0 | 0.0 |
| Local and Private | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 0 | 0 | 0 | 0 | 0.0 |
| Less: | | | | | |
| Other State Restricted Funds | 0 | 0 | 0 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE .. | 0 | 0 | 0 | 0 | 0.0 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0.0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. EXECUTIVE ORDER 2001-3

| | |
|-------|-------------|
| FTE | 1,700.2 |
| Gross | 333,453,600 |
| IDG | 333,453,600 |
| GF/GP | 0 |

On August 9, 2001, Governor Engler issued Executive Order (E.O.) 2001-3 to create the new Department of Information Technology. Article V, Section 2 of the Michigan Constitution authorizes the Governor to make changes in the organization of the executive branch, or in the assignment of functions among its units that the Governor considers necessary for efficient administration. The Legislature has 60 calendar days after the submission to disapprove an executive order. Unless disapproved by both houses within that time period, by a majority vote of members elected and serving, the executive order becomes effective on a date designated by the Governor. The disapproval time period for the Legislature regarding E.O. 2001-3 expired on October 9, 2001, and the Executive Order became effective on October 14, 2001.

Executive Order 2001-3 states that the current functions, duties, and responsibilities assigned to various State departments can be more effectively carried out by the new Department of Information Technology, which will promote a unified approach to information technology management. The director of the new Department will hold the title of State Chief Information Officer. The new Department is charged with the goal of achieving the use of common technology across the executive branch. Duties include:

- Coordinating a unified executive branch strategic information technology plan.
- Developing and implementing processes to replicate information technology best practices.
- Overseeing the expanded use of project management principles.
- Serving as a general contractor between the State's information technology users and private sector providers of information technology.
- Developing service-level agreements with executive branch departments.
- Developing standards for application development including a standard methodology and cost benefit analysis.
- Determining data ownership assignments among executive branch departments and agencies.
- Developing systems and methodologies to review, evaluate, and prioritize existing information technology projects.
- Developing information technology budgets for the executive branch.

Executive Order 2001-3, by a Type II transfer, transferred the following to the new Department of Information Technology:

- (1) All information technology services currently within any executive branch department or agency.
- (2) All the authority, powers, duties, functions, and responsibilities of the following, which were located in the Department of Management and Budget:
 - the Michigan Administration Information Network.
 - the Computing Services Unit.
 - the Information Technology Services Division.
 - the Office of Project Management.
 - the Information Technology Budget and Finance Division.
 - the Office of Information Technology Solutions.
 - the Telecommunications Services Unit.
 - the Michigan Information Network Office.
 - the Michigan Information Center.

The budget for executive branch departments and agencies creates a new Information Technology appropriation unit in each department. This funding is the source for IDG user fee revenue to fund the new Department of Information Technology (DIT). Amounts transferred include reductions to offset employee-related economic adjustments.

B. GOVERNOR'S REVISED RECOMMENDATION

The Senate included the Governor's April 4, 2002, revision letter that transfers an additional 65.2 FTEs and \$94,055,300 to DIT. Of that amount, 59.2 FTEs and \$91,097,100 are from the Family Independence Agency, mostly due to the transfer of the Child Support Enforcement System. The balance of the revisions have resulted from discussions between DIT and other departments to align more accurately positions and funding related to information technology services. The Conference Committee concurred with the Senate.

| | |
|-------|------------|
| FTE | 65.2 |
| Gross | 94,055,300 |
| IDG | 94,055,300 |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

C. e-MICHIGAN

The budget transfers \$9,300,000 from charges to departments to fund costs associated with e-Michigan. Funds for the transfer are to be generated from savings resulting from efficiencies achieved through consolidation of information technology functions.

| | |
|-------|---|
| Gross | 0 |
| IDG | 0 |
| GF/GP | 0 |

D. UNCLASSIFIED SALARIES

The budget allocates \$300,000 from existing appropriations to fund 6.0 FTE unclassified positions.

| | |
|-------|---|
| Gross | 0 |
| IDG | 0 |
| GF/GP | 0 |

E. EARLY RETIREMENT SAVINGS

The budget includes reductions based on the impact of early retirement legislation (Public Act 93 of 2002). Approximately 17% of the Department of Information Technology's designated employees retired under the 2002 early retirement program. Appropriation authorization adjustments required due to negative appropriations for early retirement savings will be made by legislative transfers pursuant to Section 393(2) of the Management and Budget Act.

| | |
|-------|-------------|
| Gross | (3,502,100) |
| IDG | (3,502,100) |
| GF/GP | 0 |

JUDICIARY
P.A. 515 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 591.5 | 582.5 | 582.5 | (9.0) | (1.5) |
| GROSS | 241,449,900 | 246,587,800 | 244,995,800 | 3,545,900 | 1.5 |
| Less: | | | | | |
| Interdepartmental Grants Received | 2,818,500 | 2,833,500 | 2,833,500 | 15,000 | 0.5 |
| ADJUSTED GROSS | 238,631,400 | 243,754,300 | 242,162,300 | 3,530,900 | 1.5 |
| Less: | | | | | |
| Federal Funds | 3,363,200 | 3,864,500 | 3,901,000 | 537,800 | 16.0 |
| Local and Private | 3,755,400 | 3,784,300 | 3,784,300 | 28,900 | 0.8 |
| TOTAL STATE SPENDING | 231,512,800 | 236,105,500 | 234,477,000 | 2,964,200 | 1.3 |
| Less: | | | | | |
| Other State Restricted Funds | 56,288,900 | 57,287,500 | 57,477,700 | 1,188,800 | 2.1 |
| GENERAL FUND/GENERAL PURPOSE .. | 175,223,900 | 178,818,000 | 176,999,300 | 1,775,400 | 1.0 |
| PAYMENTS TO LOCALS | 112,785,600 | 113,245,500 | 113,428,100 | 642,500 | 0.6 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. NEW JUDGESHIPS

| | |
|-------|---------|
| Gross | 563,700 |
| GF/GP | 563,700 |

Legislation enacted in 2001 (Public Acts 251 through 258 of 2001) results in the net cost of 6.0 new circuit court judgeships and the net reduction of 1.0 district court judgeship in FY 2002-03. The changes included in the budget reflect the following new judgeships effective January 1, 2003:

| | |
|---|------------------|
| Oakland Circuit | 2 new judgeships |
| Genesee Circuit | 1 new judgeship |
| Macomb Circuit | 2 new judgeships |
| Kent Circuit | 2 new judgeships |
| 35th District Court (Western Wayne Co.) | 1 new judgeship |

The legislation also will result in the addition of three circuit court judgeships on January 1, 2005 (Genesee, Isabella, and Ottawa Counties).

Judgeships eliminated include:

- One Hamtramck District judgeship effective immediately (current vacancy).
- One Highland Park District judgeship effective upon vacancy or January 1, 2003.
- One Wayne County Circuit judgeship effective January 1, 2003.
- One Wayne County Probate judgeship effective upon vacancy.
- One Flint District judgeship effective upon vacancy.
- Two Wayne County Circuit judgeships effective January 1, 2005.
- One Genesee County Probate judgeship effective January 1, 2005.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

B. STATE OFFICERS COMPENSATION COMMISSION (SOCC) DETERMINATIONS

| | |
|-------|-----------|
| Gross | 1,867,600 |
| GF/GP | 1,867,600 |

The budget includes \$597,500 for costs associated with SOCC determinations for the last quarter of 2002. The budget also includes \$1,270,100 to fund up to a 2.0% increase for future SOCC determinations related to 2003. The determinations of SOCC for Supreme Court Justices affect the salary of other judges due to statutory ties based on the following percentages of a Supreme Court Justice's salary:

| | |
|------------------------|-----|
| Court of Appeals Judge | 92% |
| Circuit Court Judge | 85% |
| Probate Court Judge | 85% |
| District Court Judge | 84% |

C. JUDICIAL TECHNOLOGY IMPROVEMENT FUND

1. Boilerplate Appropriation. The budget includes a \$6,000,000 boilerplate appropriation to the Judicial Technology Improvement Fund. This appropriation is contingent upon the receipt of a refund from the Federal government related to penalties imposed for the child support enforcement system and therefore is not reflected in appropriation line items.

| | |
|-------|---|
| Gross | 0 |
| GF/GP | 0 |

2. Reduction. The Legislature reduced funding for the Judicial Technology Improvement Fund from \$2,093,700 to \$1,908,700 to offset increases in other areas of the budget.

| | |
|-------|-----------|
| Gross | (150,000) |
| GF/GP | (150,000) |

D. PUBLIC ACT 92 OF 2002

1. Judicial Salaries. Public Act 92 of 2002 authorized probate judges in three counties (Arenac, Kalkaska, and Crawford) to have the power, authority, and title of a district court judge effective April 1, 2003. The budget includes funding to reflect the increase from part-time probate judge salary to full-time status for those three judgeships.

| | |
|------------|---------|
| Gross | 190,200 |
| Restricted | 190,200 |
| GF/GP | 0 |

2. Court Boundary Realignment Costs. Public Act 92 of 2002 also provided for the realignment of circuit court boundaries in the 11th, 23rd, 26th, 34th, 50th, and 53rd judicial circuits. The Senate and Conference Committee included funding to reimburse local units of government for costs incurred due to the realignment of court boundaries.

| | |
|-------|---------|
| Gross | 150,000 |
| GF/GP | 150,000 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

E. EARLY RETIREMENT SAVINGS

| | |
|-------|-----------|
| Gross | (891,200) |
| GF/GP | (891,200) |

The budget includes reductions based on the impact of early retirement legislation (Public Act 93 of 2002). Forty-seven court employees retired under the 2002 early retirement program. The budget reductions reflect the net savings from the replacement of nine of 10 Supreme Court Commissioners who retired, and six other replacements.

F. BUDGETARY SAVINGS

| | |
|-------|-----------|
| Gross | (927,600) |
| GF/GP | (927,600) |

The budget includes a line item reduction to reflect a 1% reduction to the Governor's General Fund recommended level of funding due to the May Consensus Revenue Estimating Conference and Leadership Agreement.

G. FEDERAL AND RESTRICTED FUND ADJUSTMENTS

| | |
|---------|---------|
| Gross | 552,800 |
| Federal | 537,800 |
| IDG | 15,000 |
| GF/GP | 0 |

The budget contains adjustments to Federal and State Restricted funds to reflect available funds. Increases include \$15,000 for the Non Custodial Parent Work First Program, \$20,000 from the Special Education Grant for mediation services for parent/school special education conflicts, \$567,800 for the Court Improvement Project, and \$50,000 for training regarding absent parent protocol. The budget also reflects the elimination of a \$100,000 grant application that was not approved in FY 2001-02.

H. 1997 EARLY RETIREMENT ADJUSTMENTS

| | |
|-------|----------|
| Gross | (76,600) |
| GF/GP | (76,600) |

The budget includes a reduction to reflect the end of the five-year payouts of sick leave related to employees who retired under the 1997 early retirement legislation.

I. STAFF REDUCTIONS

| | |
|-------|-----------|
| FTE | (9.0) |
| Gross | (685,400) |
| GF/GP | (685,400) |

The budget reduces positions to cover General Fund employee-related economic adjustments.

J. ECONOMIC ADJUSTMENTS

| | |
|------------|-----------|
| Gross | 2,779,100 |
| Local | 28,900 |
| Restricted | (2,300) |
| GF/GP | 2,752,500 |

Standard economic adjustments are applied for salaries and wages, retirement, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

| Item | Gross | GF/GP |
|----------------------------|-------------|-------------|
| Salaries | \$594,500 | \$556,600 |
| Retirement | 55,900 | 52,600 |
| Lump Sum Adjustment | (221,800) | (207,100) |
| Workers' Compensation | 35,000 | 35,000 |
| Building Occupancy Charges | 4,489,900 | 4,489,900 |
| Rent | (2,174,400) | (2,174,400) |
| Total | \$2,779,100 | \$2,752,500 |

K. OTHER ISSUES

The budget includes a \$1,000,900 funding shift from the State General Fund to Court Fee Fund support based on projected revenue. The budget also includes an increase of \$173,300 based on the increased wage base for the employer's share of OASI for judicial salaries.

| | |
|------------|-----------|
| Gross | 173,300 |
| Restricted | 1,000,900 |
| GF/GP | (827,600) |

L. VETOES

Legal Aid-Debt Management Loan Program. The House and Senate added \$250,000 for a new program to assist attorneys who are employed by legal services organizations with law school loan repayments. The funding source for the new program would have been from the State Services Fee Fund (assessments paid by casinos). Boilerplate (Section 319) set the criteria for the program and provided that the program would be administered by Wayne State University at no cost to the State of Michigan. The Governor vetoed the program, including the boilerplate (Sec. 319).

**LEGISLATURE
P.A. 528 of 2002**

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|--------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | N/A | N/A | N/A | N/A | N/A |
| GROSS | 125,850,000 | 126,345,600 | 126,360,200 | 510,200 | 0.4 |
| Less: | | | | | |
| Interdepartmental Grants Received | 1,612,200 | 1,627,600 | 1,627,600 | 15,400 | 1.0 |
| ADJUSTED GROSS | 124,237,800 | 124,718,000 | 124,732,600 | 494,800 | 0.4 |
| Less: | | | | | |
| Federal Funds | 0 | 0 | 0 | 0 | 0.0 |
| Local and Private | 400,000 | 400,000 | 400,000 | 0 | 0.0 |
| TOTAL STATE SPENDING | 123,837,800 | 124,318,000 | 124,332,600 | 494,800 | 0.4 |
| Less: | | | | | |
| Other State Restricted Funds | 1,478,600 | 1,475,300 | 2,530,400 | 1,051,800 | 71.1 |
| GENERAL FUND/GENERAL PURPOSE .. | 122,359,200 | 122,842,700 | 121,802,200 | (557,000) | (0.5) |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0.0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

| | | | |
|-----------|---|------------------------------|-----------------------------|
| A. | STATE OFFICERS COMPENSATION COMMISSION (SOCC) DETERMINATIONS | Gross GF/GP | 258,200 258,200 |
| | The budget includes \$76,700 for costs associated with SOCC determinations for the last quarter of 2002. The budget also includes \$181,500 to fund up to a 2.0% increase for future SOCC determinations related to 2003. | | |
| B. | 1997 EARLY RETIREMENT ADJUSTMENTS | Gross GF/GP | (31,200) (31,200) |
| | The budget includes a reduction to reflect the end of the five-year payouts of sick leave related to employees who retired under the 1997 early retirement legislation. | | |
| C. | REDUCTIONS | Gross GF/GP | (1,635,300) (1,635,300) |
| | The budget includes reductions to offset employee-related economic costs. | | |
| D. | LEASE COSTS | Gross GF/GP | 162,000 162,000 |
| | The budget includes funding for lease cost adjustments associated with the House Office Building and the Victor Office Center. | | |
| E. | e-LAW TECHNOLOGY PROJECT TRANSFERS | Gross GF/GP | 0 0 |
| | Pursuant to Leadership Agreement, \$2,155,900 was transferred from the e-Law appropriation to House, Senate, and Legislative Council line items. | | |
| F. | LEGISLATIVE AUDITOR GENERAL | Gross Restricted GF/GP | 1,055,100 1,055,100 0 |
| | The Senate added \$16,900 GF/GP for unclassified salaries and \$1,055,100 for baseline costs funded from the State Services Fee Fund. The Conference Committee included the Senate increase for unclassified salaries, increased restricted fund support, and reduced General Fund support to offset the unclassified salary increases, in order to meet the Leadership Target. | | |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

G. BUDGETARY SAVINGS

Gross (1,040,500)
GF/GP (1,040,500)

The budget includes reductions to line item appropriations based on a 1% reduction to the Governor's General Fund recommended level of funding due to the May Consensus Revenue Estimating Conference and Leadership Agreement. Funding related to salaries and expense allowances of legislators was excluded from the 1% reduction.

H. ECONOMIC ADJUSTMENTS

Gross 1,635,300
GF/GP 1,635,300

Standard economic adjustments are applied for salaries and wages, retirement, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

| Item | Gross | GF/GP |
|---------------------|-------------|-------------|
| Salaries | \$1,238,000 | \$1,238,000 |
| Retirement | 461,100 | 461,100 |
| Lump Sum Adjustment | (63,800) | (63,800) |
| Total | \$1,635,300 | \$1,635,300 |

I. OTHER ISSUES

Gross 106,600
IDG 15,400
Restricted (3,300)
GF/GP 94,500

Other adjustments include a \$54,900 General Fund increase for Defined Contribution costs, \$12,100 in adjustments to restricted audit charges, the elimination of \$200,000 in one-time costs for the Legislative Council, and \$237,300 transferred from amounts originally recommended for the Senate Fiscal Agency to the Senate line item and \$2,300 in other adjustments.

DEPARTMENT OF MANAGEMENT AND BUDGET
P.A. 528 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|---------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 919.5 | 848.5 | 848.5 | (71.0) | (7.7) |
| GROSS | 175,329,000 | 188,634,600 | 189,298,300 | 13,969,300 | 8.0 |
| Less: | | | | | |
| Interdepartmental Grants Received | 85,513,600 | 109,606,600 | 109,548,100 | 24,034,500 | 28.1 |
| ADJUSTED GROSS | 89,815,400 | 79,028,000 | 79,750,200 | (10,065,200) | (11.2) |
| Less: | | | | | |
| Federal Funds | 380,300 | 300,100 | 358,600 | (21,700) | (5.7) |
| Local and Private | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 89,435,100 | 78,727,900 | 79,391,600 | (10,043,500) | (11.2) |
| Less: | | | | | |
| Other State Restricted Funds | 45,566,900 | 35,355,300 | 35,355,300 | (10,211,600) | (22.4) |
| GENERAL FUND/GENERAL PURPOSE .. | 43,868,200 | 43,372,600 | 44,036,300 | 168,100 | 0.4 |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0.0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. STATE SPACE PLAN

The budget includes an appropriation from IDG-building occupancy charges for costs associated with the State Space Plan. The major components of this amount are the transfer of the Historical Center from the Legislature to the Executive, the opening of the Hall of Justice, new leased facilities in Grand Rapids, the first year of property taxes for Constitution Hall, and a shift from rent to building occupancy charges. The increase in FTE authorization reflects additional property management responsibilities of the Department due to the Historical Center and the Hall of Justice.

| | |
|-------|------------|
| FTE | 17.0 |
| Gross | 14,728,700 |
| IDG | 14,728,700 |
| GF/GP | 0 |

B. SECURITY AT STATE BUILDINGS

The budget includes an appropriation to pay for heightened security procedures at State buildings. Security guards are at the main entrances to every State building and other entryways remain locked. These costs are built into the rates charged to departments for building occupancy.

| | |
|-------|-----------|
| Gross | 4,792,000 |
| IDG | 4,792,000 |
| GF/GP | 0 |

C. PARKING ADJUSTMENTS

The Office of Property Services (OPS) is exploring alternative parking arrangements with municipal and private owners of parking lots in Lansing and Detroit on behalf of State employees. The Office expects to offer services such as payroll deduction, pre-tax parking benefits, and consolidated parking management for State employees as a result of the new arrangements. The budget includes an increase in the appropriation for building occupancy and parking charges since additional parking fees will be processed by OPS.

| | |
|-------|-----------|
| Gross | 3,214,800 |
| IDG | 3,214,800 |
| GF/GP | 0 |

D. PROFESSIONAL DEVELOPMENT AND SEVERANCE PAY FUNDS

Pursuant to collective bargaining agreements, the budget includes increases for professional development and severance pay funds. These funds are jointly administered by representatives from the unions and the Office of the State Employer. Uses for these funds include tuition reimbursement, conference or seminar fees, and severance payments related to layoffs.

| | |
|-------|---------|
| Gross | 750,000 |
| IDG | 750,000 |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

E. RESTRICTED FUND SOURCE INCREASES

| | |
|-------|---|
| Gross | 0 |
| GF/GP | 0 |

Executive Order 2001-9 replaced \$543,700 GF/GP with restricted fund sources for FY 2001-02. The budget continues this for the next fiscal year. As a result of the fund shifts, computer upgrades and other expenses are forgone in order to support staff positions.

F. OFFICE OF CHILDREN'S OMBUDSMAN

| | |
|-------|---|
| Gross | 0 |
| GF/GP | 0 |

Executive Order 2001-9 reduced the budget for the Office of Children's Ombudsman by \$61,100 GF/GP in FY 2001-02. This Office has determined that it would be unable to sustain this reduction in the next fiscal year. The budget transfers \$61,100 from the line item for Departmentwide Services to the Office of Children's Ombudsman.

G. STATE BUILDING AUTHORITY OVERSIGHT

| | |
|------------|--------|
| Gross | 50,000 |
| Restricted | 50,000 |
| GF/GP | 0 |

The State may sell Federal tax credits to private drillers for the development of natural gas after transferring certain mineral rights to them. The purchasers of the tax credits reimburse the State for its administration costs, including auditing and legal services. The State Building Authority administers the program on behalf of the State at an estimated cost of \$50,000 a year. The budget includes an appropriation from State Building Authority revenue that will allow the State to accept and spend the revenue received from the purchasers of the tax credits.

H. RETIREMENT SERVICES TECHNOLOGY PLAN

| | |
|------------|-------------|
| Gross | (8,000,000) |
| Restricted | (8,000,000) |
| GF/GP | 0 |

The Vision ORS automated retirement system was partly operational in June 2002 and will be fully operational in December 2002. In June, call center attendants became able to use the automated system to answer inquiries and provide information on retirement benefits to retired State employees. With the full implementation in December 2002, retirees will be able to calculate their benefits online. Fiscal year 2001-02 is the last year of a five-year appropriation totaling \$40,000,000 to implement the system. A reduction of \$8,000,000 is included to reflect the completion of the project.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

I. STATEWIDE COST ALLOCATION PLAN

The budget includes adjustments for the Statewide Cost Allocation Plan. This plan distributes proportionally costs incurred by the Department of Management and Budget for services provided to all State departments and agencies. Adjustments are made to reflect the fund sources from which departments reimburse the Department of Management and Budget.

| | |
|------------|-----------|
| Gross | 0 |
| IDG | (192,200) |
| Federal | (21,700) |
| Restricted | (146,900) |
| GF/GP | (23,600) |

J. COMPLETION OF 1997 EARLY RETIREMENT PAYOUTS

The budget includes a reduction to reflect the end of the five-year payouts of sick leave related to employees who retired under the 1997 early retirement legislation.

| | |
|------------|-----------|
| Gross | (126,100) |
| IDG | (64,100) |
| Restricted | (34,500) |
| GF/GP | (27,500) |

K. STAFF REDUCTIONS TO PAY FOR EMPLOYEE ECONOMICS

The budget includes a reduction of 4.0 FTEs and associated funding to pay for employee economic adjustments.

| | |
|-------|-----------|
| FTE | (4.0) |
| Gross | (264,600) |
| GF/GP | (264,600) |

L. UNDESIGNATED BUDGETARY SAVINGS

The FY 2002-03 enacted budget includes a 1% GF/GP departmentwide reduction. The negative appropriation will be applied to specific line items through the legislative transfer process at a later date.

| | |
|-------|-----------|
| Gross | (433,700) |
| GF/GP | (433,700) |

M. UNDESIGNATED EARLY RETIREMENT SAVINGS

The budget includes a GF/GP reduction to reflect savings from the early retirement option made available in 2002. In the Department of Management and Budget, 174 employees participated in this option.

| | |
|-------|-----------|
| Gross | (102,700) |
| GF/GP | (102,700) |

N. GUBERNATORIAL TRANSITION FUND

The budget includes funding in Part 2 to assist in the transition to a new executive administration. The funding will be used to pay off the leave time of outgoing employees and for staff assisting the incoming administration.

| | |
|-------|-----------|
| Gross | 1,200,000 |
| GF/GP | 1,200,000 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

O. PROGRAM TRANSFERS

In the budget, 84.0 FTE positions are transferred to the new Department of Information Technology. A new appropriation unit is created within the Department of Management and Budget budget, which includes \$27,434,300 Gross; \$18,960,400 GF/GP. This funding is appropriated in the budget for the new Department as an IDG from user charges. A majority of this information technology budget is associated with the Michigan Administrative Information Network (MAIN).

| | |
|-------|--------|
| FTE | (84.0) |
| Gross | 0 |
| GF/GP | 0 |

P. UNCLASSIFIED SALARIES

The budget includes a 2% increase to the FY 2001-02 level for unclassified salaries, from \$559,600 to \$570,800.

| | |
|-------|--------|
| Gross | 11,200 |
| GF/GP | 11,200 |

Q. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, workers' compensation, building occupancy charges, and the removal of lump sum payments consistent with factors applied to all budgets. These adjustments include:

| | |
|------------|-----------|
| Gross | 249,700 |
| IDG | 805,300 |
| Restricted | 19,800 |
| GF/GP | (191,000) |

| Item | Gross | GF/GP |
|----------------------------|-----------|-------------|
| Salaries and Wages | \$797,500 | \$279,200 |
| Retirement | 168,100 | 58,900 |
| Workers' Compensation | (28,000) | 15,000 |
| Building Occupancy Charges | (422,500) | (444,400) |
| Lump Sum Adjustments | (304,200) | (99,700) |
| Other Adjustments | 38,800 | 0 |
| Total | \$249,700 | (\$191,000) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

R. OTHER ISSUES

The budget includes adjustments for one-time supplemental appropriations made in FY 2001-02.

| | |
|------------|-------------|
| Gross | (2,100,000) |
| Restricted | (2,100,000) |
| GF/GP | 0 |

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
P.A. 514 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|--------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 1,083.5 | 1,072.0 | 1,072.0 | (11.5) | (1.1) |
| GROSS | 103,269,600 | 104,237,400 | 103,364,700 | 95,100 | 0.1 |
| Less: | | | | | |
| Interdepartmental Grants Received | 200,000 | 200,000 | 200,000 | 0 | 0.0 |
| ADJUSTED GROSS | 103,069,600 | 104,037,400 | 103,164,700 | 95,100 | 0.1 |
| Less: | | | | | |
| Federal Funds | 38,941,100 | 39,114,500 | 39,114,500 | 173,400 | 0.4 |
| Local and Private | 530,000 | 530,000 | 530,000 | 0 | 0.0 |
| TOTAL STATE SPENDING | 63,598,500 | 64,392,900 | 63,520,200 | (78,300) | (0.1) |
| Less: | | | | | |
| Other State Restricted Funds | 23,252,400 | 23,437,600 | 23,437,600 | 185,200 | 0.8 |
| GENERAL FUND/GENERAL PURPOSE .. | 40,346,100 | 40,955,300 | 40,082,600 | (263,500) | (0.7) |
| PAYMENTS TO LOCALS | 120,000 | 120,000 | 120,000 | 0 | 0.0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

| | | | |
|-----------|---|---|--|
| A. | GRANTS TO VETERANS' SERVICE ORGANIZATIONS | Gross GF/GP | 0 0 |
| | The budget includes an increase in grant funding of \$27,900 for the Catholic War Veterans which was offset by a like reduction to headquarters and armories. | | |
| B. | SPECIAL MAINTENANCE-FEDERAL | Gross Federal GF/GP | 498,000 498,000 0 |
| | The budget includes additional Federal National Guard Bureau Funds for the purpose of performing maintenance work on the State's armories and military training sites, including Camp Grayling. | | |
| C. | D. J. JACOBETTI VETERANS HOME | Gross GF/GP | 87,500 87,500 |
| | The budget includes additional revenue for the D. J. Jacobetti Home to reflect increased costs of electricity (\$34,500) and housekeeping (\$53,000). | | |
| D. | 1997 EARLY RETIREMENT ADJUSTMENTS | Gross Federal Restricted GF/GP | (76,100) (17,300) (15,700) (43,100) |
| | The budget includes a reduction to reflect the end of the five-year payouts of sick leave related to employees who retired under the 1997 early retirement legislation. | | |
| E. | STAFF REDUCTIONS | FTE Gross GF/GP | (0.5) (30,700) (30,700) |
| | The budget reduces positions to cover employee-related economic costs. | | |
| F. | EARLY RETIREMENT AND BUDGETARY SAVINGS | Gross GF/GP | (872,800) (872,800) |
| | The budget includes two negative GF/GP appropriation lines, Early Retirement Savings (\$463,200), and Budgetary Savings (\$409,600) to be applied to line items in which savings are realized through the budget process. | | |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

G. PROGRAM TRANSFERS

FTE (10.0)

The budget creates a new Information Technology appropriation unit for the Department of Military and Veterans Affairs. It includes \$1,230,800 (\$518,300 Federal, \$139,500 Restricted, and \$569,100 GF/GP) transferred from various line items. This funding also is appropriated as an IDG from user fees in the new Department of Information Technology, which was created by Executive Order 2001-03. Ten positions are transferred to the new Department from the Department of Military and Veterans Affairs.

H. UNCLASSIFIED SALARIES

Gross 12,900
GF/GP 12,900

An increase of \$12,900 is appropriated for the \$647,400 line item that funds 7.0 FTE unclassified positions.

I. ECONOMIC ADJUSTMENTS

Gross 770,900
Federal 421,000
Restricted 23,700
GF/GP 326,200

Standard economic adjustments are applied for salaries and wages, retirement, rent, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

| Item | Gross | GF/GP |
|-----------------------|-----------|-----------|
| Salaries | \$823,000 | \$285,200 |
| Retirement | (204,200) | (31,800) |
| Lump Sum Adjustment | (331,600) | (130,100) |
| Workers' Compensation | 225,000 | 91,700 |
| Other | 258,700 | 111,100 |
| Total | \$770,900 | \$326,200 |

J. OTHER ISSUES

Gross (294,600)
Federal (728,300)
Restricted 177,200
GF/GP 256,500

Other issues include adjustments for the actual funds received and other technical adjustments.

DEPARTMENT OF NATURAL RESOURCES
P.A. 525 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|--------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 2,177.5 | 2,075.5 | 2,075.5 | (102.0) | (4.7) |
| GROSS | 259,253,000 | 254,418,300 | 255,822,000 | (3,431,000) | (1.3) |
| Less: | | | | | |
| Interdepartmental Grants Received | 3,416,900 | 3,437,900 | 3,437,900 | 21,000 | 0.6 |
| ADJUSTED GROSS | 255,836,100 | 250,980,400 | 252,384,100 | (3,452,000) | (1.3) |
| Less: | | | | | |
| Federal Funds | 30,129,000 | 28,727,600 | 30,427,300 | 298,300 | 1.0 |
| Local and Private | 1,860,800 | 1,771,400 | 1,793,700 | (67,100) | (3.6) |
| TOTAL STATE SPENDING | 223,846,300 | 220,481,400 | 220,163,100 | (3,683,200) | (1.6) |
| Less: | | | | | |
| Other State Restricted Funds | 178,533,200 | 174,932,400 | 176,338,800 | (2,194,400) | (1.2) |
| GENERAL FUND/GENERAL PURPOSE .. | 45,313,100 | 45,549,000 | 43,824,300 | (1,488,800) | (3.3) |
| PAYMENTS TO LOCALS | 22,587,900 | 22,786,500 | 23,852,400 | 1,264,500 | 5.6 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. BOVINE TUBERCULOSIS

| | |
|-------|-----------|
| Gross | 2,000,000 |
| GF/GP | 2,000,000 |

New General Fund dollars were added for bovine tuberculosis eradication and control efforts. The FY 1999-2000 \$4,500,000 appropriation for this purpose is expected to be spent by the end of FY 2001-02. From the \$2,000,000 included in the FY 2002-03 budget, \$1,600,000 will be used for wildlife TB testing, and \$400,000 will be for wildlife/deer population surveys.

B. MICHIGAN CONSERVATION CORPS

| | |
|------------|-------------|
| Gross | (1,924,900) |
| Restricted | (200,000) |
| GF/GP | (1,724,900) |

The budget eliminates all General Fund support for the Michigan Civilian Conservation Corps (MCCC). This will result in the closure of Camp Vanderbilt in the northern Lower Peninsula, leaving only Camp Proud Lake, in Oakland County, for residential programs, and the nonresidential component of the program. MCCC Endowment Funds totaling \$200,000 that were included in the FY 2001-02 budget for MCCC participation in the development of Tricentennial Park in Detroit are eliminated also.

C. STATE PARKS

| | |
|------------|-----------|
| Gross | 1,200,000 |
| Restricted | 1,200,000 |
| GF/GP | 0 |

1. Park Improvement Bond Debt Service

The Natural Resources and Environmental Protection Act allows the Natural Resources Commission to issue park improvement revenue bonds, to be repaid with park fees. Revenue bonds totaling \$15,500,000 have been issued. (Proceeds are appropriated in the Capital Outlay budget.) Park Improvement Fund revenue sufficient to cover the FY 2002-03 debt service on the park improvement revenue bonds is included in the Natural Resources operating budget.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

2. Inflationary Adjustments

The budget includes a mandated inflationary adjustment in General Fund support for State Parks. Under the Natural Resources and Environmental Protection Act, if the General Fund appropriation for State Parks operations falls below the inflation-adjusted FY 1993-94 General Fund appropriation for Parks, Park fee increases authorized in 1993 will be repealed. In addition to the required inflationary adjustment, the budget includes increases in the parks and boating recreation appropriations to cover inflationary increases in utility, waste management, and motor transport costs. The latter adjustments are supported with Park Improvement Fund and Michigan State Waterways Fund money.

| | |
|------------|---------|
| Gross | 632,100 |
| Restricted | 225,300 |
| GF/GP | 406,800 |

D. FOREST MANAGEMENT

1. Cooperative Resource Program

The budget includes an increase in Forest Development Fund dollars for the Cooperative Resource Program, bringing the total appropriation to \$1,650,000. The Program uses soil conservation districts to provide forest management education to private land owners.

| | |
|------------|---------|
| Gross | 400,000 |
| Restricted | 400,000 |
| GF/GP | 0 |

2. Timber Marking

An FY 2001-02 appropriation for expanded timber marking activities that was supported by a one-time source of revenue to the Forest Development Fund was eliminated from the budget.

| | |
|------------|-------------|
| Gross | (2,000,000) |
| Restricted | (2,000,000) |
| GF/GP | 0 |

E. LAND AND WATER CONSERVATION FUND GRANTS

The budget includes an increase in Federal grant funds for land acquisition and outdoor recreation area development projects similar to those supported by the Michigan Natural Resources Trust Fund (MNRTF). New budget language included by the Legislature requires the coordination of grants to local units of government from the Federal Land and Water Conservation Fund and from the MNRTF in a matter that minimizes the required local match.

| | |
|---------|-----------|
| Gross | 1,500,000 |
| Federal | 1,500,000 |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. EARLY RETIREMENT PAYOUTS

Under the 1997 early retirement program, departments were allowed to spread the payments of accumulated sick leave to retirees over a five-year period. The amount that had been used to make the sick leave payments is removed from the budget.

| | |
|------------|-----------|
| Gross | (933,300) |
| IDG | (400) |
| Restricted | (697,700) |
| GF/GP | (235,200) |

G. STAFF REDUCTION OFFSETS TO ECONOMIC INCREASES

The budget reduces staff and funding in order to offset the cost of economic increases in salaries and wages.

| | |
|-------|-----------|
| FTE | (4.0) |
| Gross | (296,900) |
| GF/GP | (296,900) |

H. EARLY RETIREMENT AND BUDGETARY SAVINGS

The budget includes a negative early retirement savings appropriation totaling \$1,269,300, reflecting the anticipated General Fund savings from the 2002 early retirement. A 1% General Fund budgetary savings appropriation totaling \$455,500 is included also. The savings will be applied to specific line item appropriations through the legislative transfer mechanism.

| | |
|-------|-------------|
| Gross | (1,724,800) |
| GF/GP | (1,724,800) |

I. PROGRAM TRANSFERS

1. Accounting Support to Department of History, Arts, and Libraries

Funding that supports part of an accounting position is transferred to the new Department of History, Arts, and Libraries.

| | |
|-------|----------|
| FTE | (1.0) |
| Gross | (50,000) |
| GF/GP | (50,000) |

2. Forest Management Initiative

Forest Development Fund support for the Forest Management Initiative appropriation is transferred to the Capital Outlay budget to support a forest roads, bridges, and facilities appropriation. The transferred amount was appropriated originally in FY 1997-98 to the Department for forest roads, bridges, and facilities construction and maintenance.

| | |
|------------|-----------|
| Gross | (800,000) |
| Restricted | (800,000) |
| GF/GP | |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

3. Information Technology

FTE (97.0)

A new Information Technology appropriation unit is created. It includes \$15,535,300 transferred from various operating line item appropriations. This funding is appropriated also as an interdepartmental grant from user fees in the new Department of Information Technology, which was created by Executive Order 2001-03. Ninety-seven positions are transferred to the new Department.

J. UNCLASSIFIED SALARIES

The budget includes a 2.0% increase for unclassified salaries, bringing total unclassified salary funding to \$438,600.

Gross 8,600
IDG 100
Restricted 8,500
GF/GP 0

K. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, information technology, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. An offsetting reduction of amounts used to make prior year lump sum salary payments is included as well. These adjustments include:

Gross 1,438,600
IDG 21,300
Federal 193,400
Private (4,000)
Restricted 1,091,700
GF/GP 136,200

| Item | Gross | GF/GP |
|----------------------------|-------------|-----------|
| Salaries and Wages | \$1,764,700 | \$182,200 |
| Retirement | 397,000 | 31,800 |
| Lump Sum Payments | (998,000) | (166,000) |
| Building Occupancy Charges | 10,100 | 6,300 |
| Workers' Compensation | 142,000 | 60,900 |
| Information Technology | 122,800 | 21,000 |
| Total | \$1,438,600 | \$136,200 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

L. OTHER ISSUES

Other changes include adjustments to reflect the availability of various Federal, private, and State restricted sources of financing; statutorily-based inflationary adjustments in the stream habitat programs; base and inflationary adjustments in the payments-in-lieu-of-taxes appropriation and for the Natural Resources Commission; the elimination of the one-time National Christmas Tree appropriation; increased Federal or State restricted funding for a Karner blue butterfly study, a noise reduction study at Silver Lake State Park, development of a plan for addressing chronic wasting disease in wildlife populations, and a tree buffer along the Hancock Trail; and the elimination of one-time FY 2001-02 supplemental appropriations and contingency transfers.

| | |
|------------|-------------|
| Gross | (2,880,400) |
| Federal | (1,395,100) |
| Private | (63,100) |
| Restricted | (1,422,200) |
| GF/GP | 0 |

M. VETOES

Purchased Lands Taxes

The Governor vetoed \$598,700 and \$1,897,600, respectively, from FY 2001-02 and FY 2002-03 appropriations that were included by the Legislature to cover projected shortfalls in the purchased lands taxes line item. The Department is required to make payments in lieu of taxes on certain State-purchased lands. Shortfalls are projected because inflationary adjustments have not been provided for a number of years on the General Fund portion of the payment, and because of the change in the payment schedule for the State education tax. The Legislature provided Environmental Protection Fund (EPF) dollars to cover the projected General Fund shortfall. The EPF is supported with the proceeds from the sale of Federal tax credits on the production of certain qualified fuels in which the State owns mineral rights. The EPF is not dedicated statutorily to any specific purpose. Due to litigation, money in the Fund was never spent, so a balance of greater than \$30,000,000 had accumulated.

**SCHOOL AID
P.A. 521 of 2002**

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|-------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | N/A | N/A | N/A | N/A | N/A |
| GROSS | 11,423,561,700 | 12,795,333,400 | 12,710,380,100 | 1,286,818,400 | 11.3 |
| Less: | | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 11,423,561,700 | 12,795,333,400 | 12,710,380,100 | 1,286,818,400 | 11.3 |
| Less: | | | | | |
| Federal Funds | 203,000,000 | 1,348,305,800 | 1,219,825,200 | 1,016,825,200 | 500.9 |
| Local and Private | 0 | 700,000 | 700,000 | 700,000 | 0.0 |
| TOTAL STATE SPENDING | 11,220,561,700 | 11,446,327,600 | 11,489,854,900 | 269,293,200 | 2.4 |
| Less: | | | | | |
| Other State Restricted Funds | 11,022,148,200 | 11,247,914,100 | 11,291,441,400 | 269,293,200 | 2.4 |
| GENERAL FUND/GENERAL PURPOSE .. | 198,413,500 | 198,413,500 | 198,413,500 | 0 | 0.0 |
| PAYMENTS TO LOCALS | 11,181,789,800 | 11,389,641,800 | 11,439,469,500 | 257,679,700 | 2.3 |

The School Aid budgets for FY 2001-02 and FY 2002-03 were originally enacted in Public Act (P.A.) 297 of 2000 as part of the first supplemental for FY 2000-01 and the third supplemental for FY 1999-2000. Fiscal Years 2001-02 and 2002-03 were supplemented for the first time in Public Act 121 of 2001. After the Consensus Revenue Estimating Conference in January 2002, it was determined that School Aid Fund revenues would fall short of earlier projections and thus the School Aid Act would have to be further amended to bring the budget into balance. Public Act 191 of 2002 (S.B. 1107) provides the second supplemental appropriations for FYs 2001-02 and 2002-03. In addition, P.A. 521 of 2002 (H.B. 5881) provides a third supplemental appropriation for FY 2002-03 and the initial appropriation for FY 2003-04. Public Act 521 was enacted as part of the budget agreement for FY 2002-03, which includes a 50-cent increase in the cigarette tax, and dedicates 20 cents of the increase to the School Aid Fund. The FY 2003-04 appropriations for K-12 School Aid are held constant at the FY 2002-03 levels with the exception of the elimination of three line items that were one-time appropriations in FY 2002-03.

The majority of the changes for FY 2001-02 and FY 2002-03 are contained in P.A. 191. Public Act 521 contains only two supplemental appropriation changes for FY 2002-03. The changes from both Public Acts are described below. The FY 2001-02 changes are shown as supplemental changes to that year as enacted in P.A. 121 whereas the FY 2002-03 changes are shown as changes to the prior year (FY 2001-02) as adjusted by the supplemental changes in P.A. 191.

A. FY 2001-02 SUPPLEMENTAL APPROPRIATIONS

1. New Funding Method Description

N/A

The supplemental maintained the second year of a change to the new funding method for foundation allowance and special education payments in order to comply with the *Durant I* and *Durant II* court settlements to ensure that districts receive their guaranteed FY 1994-95 foundation allowance and their court-required special education payments. These payments are calculated as though they were paid out in one sum as was done in the prior funding method; however, they are disbursed in three separate payments. First, the amount due a district is calculated under the prior method. Then, the first payment to a district is an amount equal to its 1994-95 foundation allowance times all pupils (general education and special education pupils). The second payment is the special education payment that is equal to the requirements under the *Durant I* and *II* settlements (70% of special education transportation costs and 28% of special education costs). The third payment is a payment to ensure that each district will receive the full amount of what it would have received under the previous payment method that is not accounted for in the first or second payment.

2. Proposal A Obligation Payment

| | |
|------------|--------------|
| Gross | (20,100,000) |
| Restricted | (20,100,000) |

This new line item created by P.A. 297 of 2000 to fund the first part of the new funding method described above is reduced in Public Act 191 of 2002 to reflect necessary changes due to updated pupil and taxable value estimates. In addition, the appropriation is further reduced to account for the elimination of the practice of prefunding costs associated with the changes in the personal property tax tables (PPTTs) due to the fact that these proposed changes are currently under litigation.

3. Special Education

| | |
|------------|-----------|
| Gross | 1,580,000 |
| Restricted | 1,580,000 |

This revised appropriation is used to make the payment for the second part of the new funding mechanism, the required *Durant* payment. The State portion of the payments is increased by \$1,580,000 in P.A. 191 to reflect costs that are slightly higher than previously estimated due to updated special education pupil and cost estimates.

| | | Change from FY 2001-2002 Year-to-Date |
|---|------------|--|
| 4. Discretionary Payment | Gross | (9,200,000) |
| | Restricted | (9,200,000) |
| Public Act 297 also created a new line item to fund the third payment of the new funding method. The payment is made to districts to ensure that they receive the full amount of funding calculated under the original funding method. Public Act 191 decreases the appropriation to reflect changes due to updated pupil and taxable value estimates. | | |
| 5. School Lunch Program | Gross | 1,438,300 |
| | Restricted | 1,438,300 |
| Public Act 191 increases the appropriation to reflect changes due to updated cost estimates and to ensure that the State meets its mandated funding obligation of 6.0127% or necessary costs. | | |
| 6. Renaissance Zone Costs | Gross | 1,800,000 |
| | Restricted | 1,800,000 |
| The supplemental appropriation for this line item is increased by \$1,800,000 in P.A. 191 to reflect necessary cost adjustments based on revised estimates. | | |
| 7. Other Issues | Gross | (3,070,000) |
| | Restricted | (3,070,000) |
| The supplemental further reduces other line items to bring the budget into balance. Two line items are reduced to reflect changes necessary due to the elimination of prefunding PPTT changes: Vocational Education Millage Equalization (\$1,380,000) and ISD Taxable Value Changes (\$890,000). The Golden Apple MEAP Incentive (800,000) is completely eliminated for FY 2001-02 | | |

B. FY 2002-03 SUPPLEMENTAL APPROPRIATIONS

N/A

1. Foundation Allowance Description

Public Act 191 maintains funding such that all districts will receive a minimum foundation allowance of \$6,700 in FY 2002-03. The basic foundation allowance is equal to the minimum foundation allowance of \$6,700 per pupil, an increase of 3.0% or \$200 from the minimum foundation allowance of \$6,500 per pupil in FY 2001-02. Although the “official” basic foundation allowance for FY 2001-02 was \$6,300 per pupil, there was an equity payment of up to \$200 per pupil to ensure that all districts received a minimum foundation allowance of \$6,500. This equity payment is now built into each recipient district’s foundation allowance; thus, the true increase in the basic foundation allowance is \$400 minus the \$200 equity payment or \$200. As in FY 2001-02, this amount is used only for calculation purposes to determine the amount a district will receive via the new funding mechanism.

2. Proposal A Obligation Payment

| | |
|------------|--------------|
| Gross | (69,000,000) |
| Restricted | (69,000,000) |

This new line item created by P.A. 297 of 2000 to fund the first part of the new funding method described above is reduced in Public Act 191 of 2002 to reflect necessary changes due to updated pupil and taxable value estimates.

3. Discretionary and Equity Payments

| | |
|------------|-------------|
| Gross | 368,000,000 |
| Restricted | 368,000,000 |

As noted above, this payment is made to districts to ensure that they receive the full amount of funding calculated under the original funding method. Public Act 191 increases this line item to pay for the \$200 increase in the basic foundation allowance, to incorporate the one-time FY 2001-02 Equity Payment into the per-pupil payment to eligible districts, and to roll Class Size Reduction grants into base foundation allowances for the 26 recipient districts.

| | | Change from FY 2001-2002 Year-to-Date |
|--|------------|--|
| 4. All Students Achieve Program (ASAP) | Gross | (116,650,100) |
| | Restricted | (116,650,100) |
| Public Act 191 eliminates two components of the ASAP program and incorporates another component into eligible districts' foundation allowance payments. The two programs that were eliminated are: Parent Involvement and Education (\$45,000,100) and Reading Programs (\$45,000,000). As mentioned above, Class Size Reduction grants are now included in districts' foundation allowances and paid in discretionary payments (\$26,650,000). | | |
| 5. School Health Curriculum Grants | Gross | 3,180,000 |
| | Restricted | 3,180,000 |
| This program was formerly funded in the Department of Community Health budget. Funding for this line item to promote the Michigan Model for Comprehensive School Health is transferred to the School Aid budget under P.A. 191. | | |
| 6. Local Treasurer Reimbursement | Gross | 4,600,000 |
| | GF/GP | 4,600,000 |
| Public Act 191 includes funding to reimburse local treasurers for estimated lost revenue due to the five-mill State Education Tax (SET) slated for July 2003. In an effort to raise School Aid Fund revenues, the Governor proposed, and the Legislature agreed, to move up all SET collections to July beginning with the July 2003 tax collections. In past years, some municipalities paid half of their six-mill SET in July and the other half in December while others paid theirs in full in either July or December. The new change directs <i>all</i> municipalities to collect the full six-mill SET in July; however, there is a one-mill tax break in the first year (July 2003) for doing so. | | |
| 7. Wireless Technology/Michigan Virtual High School | Gross | 10,084,700 |
| | GF/GP | 3,500,000 |
| | Federal | 6,584,700 |
| Public Act 191 includes \$3,500,000 to provide funding for at least five pilot projects to develop ways to use wireless technology to improve academic achievement. The projects will be coordinated through the Michigan Virtual High School. Also, there is an additional \$6,584,700 in Federal funding. | | |

| | | Change from FY 2001-2002 Year-to-Date |
|---|------------|--|
| 8. Special Education | Gross | 88,820,000 |
| | Restricted | 56,820,000 |
| | Federal | 32,000,000 |
| Public Act 191 transfers all Federal funding for special education into the K-12 budget. In addition, the appropriation is increased due to updated cost data. Public Act 191 also includes a \$500,000 grant to Grand Valley State University for developing cooperative autism programs. | | |
| 9. School Bond Loan Redemption | Gross | 5,374,000 |
| | GF/GP | 4,674,000 |
| | Local | 700,000 |
| Public Act 191 transfers from the Department of Treasury a program that pays for the State's debt service on funds lent to school districts. This program is funded for FY 2002-03 only. | | |
| 10. Transfer of Department of Education (DOE) Federal Grants | Gross | 975,882,900 |
| | Federal | 975,882,900 |
| Beginning in FY 2002-03, the K-12 budget contains the appropriation of all but five DOE Federal grants. These grants were transferred from the DOE budget to the K-12 budget in an effort to streamline all payments (both State and Federal) made to school districts. | | |
| 11. Detroit Schools Foundation Allowance Adjustment | Gross | 15,000,000 |
| | Restricted | 15,000,000 |
| Beginning in FY 2002-03, P.A. 521 of 2002 includes \$15,000,000 in additional foundation allowance funding for the Detroit Public Schools as long as the schools remain under the direction of the Reform Board. The \$15,000,000 will be divided by FY 2002-03 pupils to determine a per-pupil increase in Detroit's foundation allowance. | | |
| 12. Declining Enrollment Grants to Upper Peninsula School Districts | Gross | 3,500,000 |
| | Restricted | 3,500,000 |
| Public Act 521 appropriates additional dollars (for FY 2002-03 only) to provide funding to school districts located in the Upper Peninsula with declining enrollments that meet other eligibility criteria. Public Act 191 provided ongoing funding for school districts located in the Lower Peninsula only. | | |

| | | Change from FY 2001-2002 <u>Year-to-Date</u> |
|---|------------|---|
| 13. Other Issues | Gross | (1,973,100) |
| | Restricted | (1,973,100) |
| <p>Several line items were changed in P.A. 191 in order to balance the budget for FY 2002-03. These line items include intermediate school district (ISD) operational funding, Court Placed Pupils, School Lunch Programs, Renaissance Zone reimbursements, Adult Education, ISD Vocational Education Millage Equalization, taxable value changes, Accreditation Assistance, Center for Educational Performance and Information funding, funding for the Golden Apples program, and the Detroit Schools supplemental payment line item.</p> | | |

**Change from
FY 2002-03
Enacted**

C. FY 2003-04 APPROPRIATIONS

As mentioned above, P.A. 521 was enacted as part of the budget agreement for FY 2002-03. The FY 2003-04 appropriations for K-12 School Aid are held constant at the FY 2002-03 levels with the exception of the elimination of three line items that were one-time appropriations in FY 2002-03.

| | | |
|---|------------|-------------|
| 1. Foundation Allowance | | N/A |
| <p>The foundation allowance for each district in FY 2003-04 remains the same as in FY 2002-03. Thus, the basic foundation allowance and the minimum foundation allowance any district will receive in FY 2003-04 remain at \$6,700 per pupil. In addition, the Detroit Public Schools continue to receive \$15,000,000 in additional foundation allowance revenue if they remain under the direction of the Reform Board.</p> | | |
| 2. Elimination of One-Time Declining Enrollment Grants to U.P. School Districts | Gross | (3,500,000) |
| | Restricted | (3,500,000) |
| <p>Public Act 521 eliminates the one-time funding in FY 2002-03 to school districts located in the Upper Peninsula with declining enrollments that meet other eligibility criteria.</p> | | |

| | | | Change from FY 2002-03 <u>Enacted</u> |
|-----------|--|-------|--|
| 3. | Elimination of One-Time Debt Service Funding of the School Bond Loan Program | Gross | (5,374,000) |
| | | GF/GP | (4,674,000) |
| | Public Act 521 eliminates the one-time funding in FY 2002-03 of the debt service owed for the School Bond Loan program housed in (and previously financed by) the Department of Treasury. | Local | (700,000) |
| 4. | Elimination of One-Time Reimbursements to Local Treasurers | Gross | (4,600,000) |
| | | GF/GP | (4,600,000) |
| | Public Act 521 eliminates the one-time reimbursement in FY 2002-03 to local treasurers that was provided in P.A. 191 to make up for revenue lost due to the one-mill reduction in the State Education Tax. | | |

DEPARTMENT OF STATE
P.A. 528 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|--------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 1,973.3 | 1,847.8 | 1,847.8 | (125.5) | (6.4) |
| GROSS | 179,368,400 | 179,828,000 | 180,055,800 | 687,400 | 0.4 |
| Less: | | | | | |
| Interdepartmental Grants Received | 95,814,100 | 96,493,000 | 96,493,000 | 678,900 | 0.7 |
| ADJUSTED GROSS | 83,554,300 | 83,335,000 | 83,562,800 | 8,500 | 0.0 |
| Less: | | | | | |
| Federal Funds | 1,303,600 | 1,319,500 | 1,319,500 | 15,900 | 1.2 |
| Local and Private | 100 | 100 | 100 | 0 | 0.0 |
| TOTAL STATE SPENDING | 82,250,600 | 82,015,400 | 82,243,200 | (7,400) | (0.0) |
| Less: | | | | | |
| Other State Restricted Funds | 64,451,900 | 64,274,200 | 65,274,200 | 822,300 | 1.3 |
| GENERAL FUND/GENERAL PURPOSE .. | 17,798,700 | 17,741,200 | 16,969,000 | (829,700) | (4.7) |
| PAYMENTS TO LOCALS | 69,800 | 69,800 | 69,800 | 0 | 0.0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. TRANSPORTATION FEE COLLECTION SERVICES

Executive Order 2001-9 offset \$40,000,000 GF/GP with Michigan Transportation Fund (MTF) dollars for FY 2001-02. The budget for FY 2002-03 continues this at the same level of funding. The funding is applied toward the costs of collecting transportation-related fees that the Department of State performs on behalf of the Department of Transportation.

| | |
|------------|---|
| Gross | 0 |
| Restricted | 0 |
| GF/GP | 0 |

B. AUTO THEFT PREVENTION GRANT

The Department of State is applying for a grant from the Auto Theft Prevention Authority under the Department of State Police. The budget includes this grant, although it has not yet been awarded. The Department of State will use the grant to cover staff expenses until an electronic document management and imaging system that will assist with vehicle look-up requests from insurance and law enforcement agencies is fully implemented.

| | |
|------------|---------|
| Gross | 100,000 |
| Restricted | 100,000 |
| GF/GP | 0 |

C. BRANCH OFFICE OPERATIONS REDUCTION

The budget includes a reduction in the line item for branch operations. The Department of State is expected to achieve the reduction by encouraging customers to use phone, mail, and Internet services in place of physical branch office visitation and by making adjustments in the schedules of seasonal employees. No layoffs or branch closings are anticipated as a result of this reduction.

| | |
|-------|-------------|
| Gross | (1,000,000) |
| GF/GP | (1,000,000) |

D. COMPLETION OF 1997 EARLY RETIREMENT PAYOUTS

The budget includes a reduction to reflect the end of the five-year payouts of sick leave related to employees who retired under the 1997 early retirement legislation.

| | |
|------------|-----------|
| Gross | (211,800) |
| IDG | (137,500) |
| Restricted | (59,300) |
| GF/GP | (15,000) |

E. STAFF REDUCTIONS TO PAY FOR EMPLOYEE ECONOMICS

The budget includes a reduction of 4.0 FTEs and associated funding to pay for employee economic adjustments.

| | |
|-------|-----------|
| FTE | (4.0) |
| Gross | (128,600) |
| GF/GP | (128,600) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. UNDESIGNATED BUDGETARY SAVINGS

| | |
|-------|-----------|
| Gross | (182,900) |
| GF/GP | (182,900) |

The FY 2002-03 enacted budget includes a 1% GF/GP departmentwide reduction. The negative appropriation will be applied to specific line items through the legislative transfer process at a later date.

G. UNDESIGNATED EARLY RETIREMENT SAVINGS

| | |
|-------|-----------|
| Gross | (594,900) |
| GF/GP | (594,900) |

The budget includes a GF/GP reduction to reflect savings from the early retirement option made available in 2002. In the Department of State, 221 employees participated in this option.

H. VERTICAL DRIVER LICENSE AND PERSONAL IDENTIFICATION CARD

| | |
|------------|-----------|
| Gross | 1,000,000 |
| Restricted | 1,000,000 |
| GF/GP | 0 |

The budget includes funding from the State Services Fee Fund for the development and implementation of a vertical facing driver's license and personal identification card. Public Acts 553 and 554 of 2002 established the program and it will begin on July 1, 2003. The Governor vetoed this funding and the Legislature overrode the veto.

I. PROGRAM TRANSFERS

1. Information Technology

In the budget, 101.0 FTE positions are transferred to the new Department of Information Technology. A new appropriation unit is created within the Department of State budget, which includes \$21,044,700 Gross; \$1,989,600 GF/GP. This funding is appropriated in the budget for the new Department as an IDG from user charges.

| | |
|-------|---------|
| FTE | (101.0) |
| Gross | 0 |
| GF/GP | 0 |

2. Historical Program

Support services associated with the former Historical Program are transferred from the Department of State to the Department of History, Arts, and Libraries. This transfer includes 2.0 FTEs, who are an accountant and a legal advisor.

| | |
|-------|-----------|
| FTE | (2.0) |
| Gross | (261,800) |
| GF/GP | (261,800) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

J. UNCLASSIFIED SALARIES

Gross 17,300
GF/GP 17,300

The budget includes a 2% increase to the FY 2001-02 level, from \$467,000 to \$476,300, for unclassified salaries. In addition, the annual salary of the Secretary of State is increased from \$124,900 to \$135,500, an 8% increase, effective January 1, 2003. Article V, Section 23 of the Michigan Constitution states that the salary of the Secretary of State may change only at the start of a new term of office. With the adoption of Proposal 02-1 on August 6, 2002, the salary for the Secretary of State will be determined by the State Officers Compensation Commission instead of by the Legislature in an appropriation bill.

K. ECONOMIC ADJUSTMENTS

Gross 2,030,100
IDG 816,400
Federal 15,900
Restricted (218,400)
GF/GP 1,416,200

Standard economic adjustments are applied for salaries and wages, total retirement, workers' compensation, building occupancy charges, and the removal of lump sum payments consistent with factors applied to all budgets. These adjustments include:

| Item | Gross | GF/GP |
|----------------------------|-------------|-------------|
| Salaries and Wages | \$1,574,200 | \$139,900 |
| Retirement | 138,500 | 16,200 |
| Workers' Compensation | 19,700 | 19,700 |
| Building Occupancy Charges | 1,037,700 | 1,299,500 |
| Lump Sum Adjustments | (740,000) | (59,100) |
| Total | \$2,030,100 | \$1,416,200 |

L. OTHER ISSUES

Gross (80,000)
GF/GP (80,000)

The budget includes adjustments for one-time supplemental appropriations made in FY 2001-02.

DEPARTMENT OF STATE POLICE
P.A. 526 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|--------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 3,648.5 | 3,438.5 | 3,445.5 | (203.0) | (5.6) |
| GROSS | 420,406,100 | 416,444,500 | 415,632,200 | (4,773,900) | (1.1) |
| Less: | | | | | |
| Interdepartmental Grants Received | 20,309,500 | 16,750,700 | 19,282,800 | (1,026,700) | (5.1) |
| ADJUSTED GROSS | 400,096,600 | 399,693,800 | 396,349,400 | (3,747,200) | (0.9) |
| Less: | | | | | |
| Federal Funds | 44,770,700 | 45,570,500 | 45,570,500 | 799,800 | 1.8 |
| Local and Private | 4,506,600 | 3,913,700 | 3,913,700 | (592,900) | (13.2) |
| TOTAL STATE SPENDING | 350,819,300 | 350,209,600 | 346,865,200 | (3,954,100) | (1.1) |
| Less: | | | | | |
| Other State Restricted Funds | 56,949,300 | 60,262,900 | 59,816,900 | 2,867,600 | 5.0 |
| GENERAL FUND/GENERAL PURPOSE .. | 293,870,000 | 289,946,700 | 287,048,300 | (6,821,700) | (2.3) |
| PAYMENTS TO LOCALS | 19,905,000 | 19,968,100 | 19,247,000 | (658,000) | (3.3) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. AUTO THEFT PREVENTION PROGRAM

The budget increases the spending authority (from \$6,539,600 to \$7,039,600) of the auto theft prevention program to reflect revenues received from a \$1 assessment on car insurance payments, and to increase grant funding for law enforcement teams who focus on auto theft.

| | |
|------------|---------|
| Gross | 500,000 |
| Restricted | 500,000 |
| GF/GP | 0 |

B. CONCEALED WEAPONS LAW IMPLEMENTATION

The budget includes the elimination of funds appropriated and spent under Public Act 381 of 2000 which had been used to implement recent changes to concealed weapon laws.

| | |
|-------|-------------|
| Gross | (1,000,000) |
| GF/GP | (1,000,000) |

C. DNA ANALYSIS PROGRAM

The budget increases restricted revenue appropriations for the DNA Analysis Program to reflect recent legislation (Public Acts 84 through 91 of 2001) that requires the capture of State Police DNA laboratory costs (\$39 per sample) from persons convicted in cases in which DNA evidence was used.

| | |
|------------|-----------|
| Gross | 1,211,400 |
| Restricted | 1,211,400 |
| GF/GP | 0 |

D. EMERGENCY MANAGEMENT

The budget includes an increase in Federal fund appropriations from the Department of Justice to provide for additional antiterrorism equipment and training for local and State use. Equipment to be obtained includes personal protection equipment, chemical, biological, and radiological detection equipment, and decontamination equipment.

| | |
|---------|-----------|
| Gross | 2,750,100 |
| Federal | 2,750,100 |
| GF/GP | 0 |

E. AT-POST TROOPERS

The budget reflects a reduction of 29.0 FTEs/\$997,700 in appropriations for at-post troopers, providing for no new trooper school for FY 2002-03. The reduction is included below in Item M (Staff Reductions). The following list shows at-post trooper strength for the previous five years, and includes an estimate of trooper strength at the beginning and end of FY 2002-03, based on an expected annual trooper attrition of 90.0 FTEs and no trooper school being held.

| | | | |
|---------|--------|------------------|-------|
| October | | | |
| 2003 | 1,073* | 1999 | 1,319 |
| 2002 | 1,163* | 1998 | 1,336 |
| 2001 | 1,253 | 1997 | 1,254 |
| 2000 | 1,344 | <i>*estimate</i> | |

F. SECONDARY ROAD PATROL GRANTS

The budget includes the full-year phase-in of increased traffic citation assessment (from \$5 to \$10) and elimination of remaining GF/GP appropriation and rolls up administration in a single line item for a total of \$12,506,600 for FY 2002-03.

| | |
|------------|-------------|
| Gross | 500 |
| Restricted | 1,604,300 |
| GF/GP | (1,603,800) |

G. MOTOR CARRIER ENFORCEMENT

The budget includes \$860,500 in increased U.S. Department of Transportation funds to provide more support for truck safety inspections.

| | |
|---------|---------|
| Gross | 860,500 |
| Federal | 860,500 |
| GF/GP | 0 |

H. 1997 EARLY RETIREMENT ADJUSTMENTS

The budget includes a reduction to reflect the end of the five-year payouts of sick leave related to employees who retired under the 1997 early retirement legislation.

| | |
|------------|-----------|
| Gross | (206,800) |
| IDG | (12,200) |
| Federal | (5,500) |
| Restricted | (4,500) |
| GF/GP | (184,600) |

I. STAFF REDUCTIONS

The budget includes a reduction in positions to cover employee-related economic costs. This total includes the reductions to the At-Post trooper line mentioned in Item G above.

| | |
|-------|-------------|
| FTE | (40.0) |
| Gross | (3,434,100) |
| GF/GP | (3,434,100) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

J. BUDGETARY SAVINGS

| | |
|-------|-------------|
| Gross | (2,899,500) |
| GF/GP | (2,899,500) |

The budget includes a negative GF/GP appropriation line, Budgetary Savings, which is to be applied to specific line items through the legislative transfer process.

K. PROGRAM TRANSFER - DEPARTMENT OF INFORMATION TECHNOLOGY

| | |
|-----|---------|
| FTE | (157.0) |
|-----|---------|

The budget creates a new Information Technology appropriation unit for the Department of State Police. It includes \$22,668,600 transferred from the operations line items. This funding also is appropriated as an interdepartmental grant from user fees in the new Department of Information Technology, which was created by Executive Order 2001-3. A total of 155 positions are transferred to the new Department from the Department of State Police.

L. PROGRAM TRANSFER - SECURITY REGULATION

| | |
|------------|-----------|
| FTE | (6.0) |
| Gross | (400,000) |
| Restricted | (400,000) |
| GF/GP | 0 |

The budget transfers 6.0 FTEs and \$400,000 in Restricted fee revenue to the Department of Consumer and Industry Services, which represents the State's Regulatory Office for security guards and private detectives. The Department of State Police will retain regulatory responsibility for security police, and will retain \$50,000 in fee revenue for this purpose.

M. FEE INCREASES

| | |
|------------|---|
| Gross | 0 |
| Restricted | 0 |
| GF/GP | 0 |

The budget includes continuation of \$2,800,000 in criminal justice information center service fees to reflect Executive Order 2001-9, which increased criminal history look-up fees from \$5 to \$15 (for a total yearly increase of \$1,000,000) and State fingerprint processing fees from \$15 to \$30 (for a total yearly increase of \$1,300,000). The authority for the fingerprint fee increase for FY 2002-03 is under recently enacted Public Act 463 of 2002, which establishes a maximum fee of \$15 or, until October 1, 2004, \$30. Enactment of Public Act 213 of 2001 allows full-year phase-in of the increase in civil infraction assessments (which fund the Secondary Road Patrol Grants) and adds \$1,000,000 in new fee revenue.

N. UNCLASSIFIED SALARIES

| | |
|-------|-------|
| Gross | 5,200 |
| GF/GP | 5,200 |

A \$5,200 increase is recommended for the \$260,400 line item that funds 3.0 FTE unclassified positions.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

O. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, retirement, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

| | |
|------------|-----------|
| Gross | 4,545,500 |
| IDG | 122,400 |
| Federal | 54,600 |
| Private | 0 |
| Restricted | 179,700 |
| GF/GP | 4,188,800 |

| Item | Gross | GF/GP |
|----------------------------|-------------|-------------|
| Salaries | \$3,449,100 | \$3,040,800 |
| Retirement | 1,167,500 | 965,500 |
| Lump Sum Adjustment | (1,121,100) | (867,500) |
| Workers' Compensation | 311,000 | 311,000 |
| Building Occupancy Charges | 739,000 | 739,000 |
| Total | \$4,545,500 | \$4,188,800 |

P. OTHER ISSUES

The budget includes other changes to adjust for actual revenues received and to make technical adjustments, including reduced Federal grant revenues for Uniform Services (\$150,000), Traffic Services (\$1,000,000), Highway Safety (\$611,800), Criminal Histories (\$850,000), less restricted funding for Emergency Telephone Training (\$837,000), Forensic Laboratory Fund (\$385,000), and completion of payment for a court judgment (\$1,250,000).

| | |
|---------------|-------------|
| Gross | (6,660,700) |
| IDG | (1,316,900) |
| Local/Private | (592,900) |
| Federal | (2,679,900) |
| Restricted | (177,300) |
| GF/GP | (1,893,700) |

Q. VETOES

1. **Grant to the City of Detroit.** The Governor vetoed boilerplate Section 701, which continued appropriations for the FY 2001-02 grant for FY 2002-03. The bill had provided for appropriations for this grant only if an increase in the State's tobacco tax by 30 cents per pack or more were established by September 30, 2002. The Governor had previously recommended that the current-year grant to the City of Detroit be eliminated for FY 2002-03. The FY 2001-02 budget appropriated a total of \$721,100 for the City of Detroit Law Enforcement, \$431,400 to the Detroit Crime Lab, and \$289,700 to the Police Special Events Account. The City of Detroit has received grant funds for these purposes for several years, including \$894,300 in FY 1996-97, FY 1997-98, and FY 1998-99, \$921,100 in FY 1999-2000 and FY 2000-01, and \$721,100 in FY 2001-02.

2. **Cooperative Feasibility Study.** The Governor vetoed boilerplate Section 262, which required the Department to produce a study concerning the feasibility of Jackson area police agencies and the Department engaging in cooperative law enforcement efforts, including facility use. The veto had the effect of removing \$25,000 in restricted funds from the at-post trooper line.

| | |
|------------|----------|
| Gross | (25,000) |
| Restricted | (25,000) |
| GF/GP | 0 |

3. **Aeronautics Safety Officer.** The Governor vetoed boilerplate Section 1202, which required the Department to contribute to the salary of an aeronautics safety officer position within the Transportation Department. The veto has the effect of removing \$21,000 in restricted funding from the Aviation program line.

| | |
|------------|----------|
| Gross | (21,000) |
| Restricted | (21,000) |
| GF/GP | 0 |

STRATEGIC FUND AGENCY
P.A. 517 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|---------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 234.0 | 231.5 | 231.5 | (2.5) | (1.1) |
| GROSS | 169,490,600 | 155,037,400 | 153,656,500 | (15,834,100) | (9.3) |
| Less: | | | | | |
| Interdepartmental Grants Received | 100,000 | 100,900 | 100,900 | 900 | 0.9 |
| ADJUSTED GROSS | 169,390,600 | 154,936,500 | 153,555,600 | (15,835,000) | (9.3) |
| Less: | | | | | |
| Federal Funds | 63,334,400 | 62,953,300 | 62,953,300 | (381,100) | (0.6) |
| Local and Private | 850,000 | 853,100 | 853,100 | 3,100 | 0.4 |
| TOTAL STATE SPENDING | 105,206,200 | 91,130,100 | 89,749,200 | (15,457,000) | (14.7) |
| Less: | | | | | |
| Other State Restricted Funds | 45,050,000 | 45,050,000 | 45,050,000 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE .. | 60,156,200 | 46,080,100 | 44,699,200 | (15,457,000) | (25.7) |
| PAYMENTS TO LOCALS | 21,000,000 | 9,009,400 | 9,009,400 | (11,990,600) | (57.1) |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. ECONOMIC DEVELOPMENT JOB TRAINING GRANTS

Gross (13,000,000)
GF/GP (13,000,000)

1. Timing of Grant Awards

The budget includes a reduction in funding for this program, with language specifying that the grants for job training are to be awarded in the first two quarters of the State fiscal year. Economic Development Job Training (EDJT) grants for Rapid Response, the Michigan Growth Capital Fund, and the proposed university research grant matching funds (discussed below) may be awarded at any time. Total funding for EDJT is \$13,548,000 in FY 2002-03.

2. Allocation for University Research Grant Matching Funds

The budget includes a new eligible use of EDJT funds. The Michigan Economic Development Corporation may allocate \$1,000,000 from EDJT funds for the current year to a university for use as matching funds for university Federal research grants.

B. MICHIGAN GROWTH CAPITAL FUND

The budget permits an allocation from the Michigan Growth Capital Fund to provide a match for university Federal research grants. All of these funds were previously appropriated and are set aside in a work project.

C. CAPITAL ACCESS PROGRAM

Gross (1,000,000)
GF/GP (1,000,000)

The budget removes funding for this program, which provides funding to banks to facilitate the financing of small businesses to promote entrepreneurship in Michigan. Before FY 2001-02, the program had been funded with Indian casino revenues and was cut by the Board of the Michigan Economic Development Corporation. This budget had included boilerplate that would have appropriated any balance in the Core Communities work project account for this purpose, but the Governor vetoed that language. The expected balance in that account is approximately \$900,000.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

D. BUDGETARY & EARLY RETIREMENT SAVINGS

Gross (1,356,000)
GF/GP (1,356,000)

The budget contains a new appropriation unit that includes the total reductions that will be taken for both early retirement and an overall General Fund 1% cut. The negative adjustments will be taken from specific line items through the legislative transfer process.

E. STAFF REDUCTIONS

FTE (2.5)
Gross (234,500)
GF/GP (234,500)

The budget reduces staffing by 2.5 FTEs and \$234,500 to fund employee-related economic adjustments.

F. ECONOMIC ADJUSTMENTS

Gross 222,800
IDG 900
Federal 18,900
Private 3,100
GF/GP 199,900

Standard adjustments are applied to all budgets. The following adjustments are made:

| Item | Gross | GF/GP |
|----------------------------|-----------|-----------|
| Salaries and Wages | \$274,200 | \$250,700 |
| Retirement | 75,200 | 68,600 |
| Building Occupancy | (34,600) | (34,600) |
| Remove Lump Sum Adjustment | (92,000) | (84,800) |
| Total | \$222,800 | \$199,900 |

G. OTHER ISSUES

Gross (441,400)
Federal (400,000)
GF/GP (41,400)

The budget removes \$41,400 for 1997 early retirement sick leave payouts and adjusts the Federal Community Development Block Grant funding by \$400,000 to reflect anticipated levels.

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

H. VETOES

| | |
|-------|----------|
| Gross | (25,000) |
| GF/GP | (25,000) |

The Governor vetoed boilerplate language that set aside \$25,000 of the \$7,000,000 appropriated for Michigan Promotion Funding. The \$25,000 had been allocated to promote tourism in the northeast region of the State, which has been negatively affected by the bovine tuberculosis problem.

DEPARTMENT OF TRANSPORTATION
P.A. 561 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|--------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 3,176.3 | 3,069.3 | 3,069.3 | (107.0) | (3.4) |
| GROSS | 3,112,826,000 | 3,166,371,000 | 3,091,900,500 | (20,925,500) | (0.7) |
| Less: | | | | | |
| Interdepartmental Grants Received | 11,459,500 | 0 | 0 | (11,459,500) | (100.0) |
| ADJUSTED GROSS | 3,101,366,500 | 3,166,371,000 | 3,091,900,500 | (9,466,000) | (0.3) |
| Less: | | | | | |
| Federal Funds | 985,283,900 | 987,176,100 | 963,136,100 | (22,147,800) | (2.2) |
| Local and Private | 5,800,000 | 5,800,000 | 5,800,000 | 0 | 0.0 |
| TOTAL STATE SPENDING | 2,110,282,600 | 2,173,394,900 | 2,122,964,400 | 12,681,800 | 0.6 |
| Less: | | | | | |
| Other State Restricted Funds | 2,110,282,600 | 2,173,394,900 | 2,122,964,400 | 12,681,800 | 0.6 |
| GENERAL FUND/GENERAL PURPOSE .. | 0 | 0 | 0 | 0 | 0.0 |
| PAYMENTS TO LOCALS | 1,181,744,000 | 1,185,991,600 | 1,176,250,300 | (5,493,700) | (0.5) |

A. MICHIGAN TRANSPORTATION FUND (MTF) INTERDEPARTMENTAL GRANTS

The legal basis for the use of MTF revenue to cover a portion of the administrative costs of certain State departments/agencies involved in the collection of motor fuel taxes and vehicle taxes/fees can be found in the Michigan Constitution and Public Act (P.A.) 51 of 1951. Article IX, Section 9 of the Constitution allows MTF revenue to be used for "necessary collection expenses". Language in P.A. 51 of 1951 appears to limit which State departments/agencies are eligible to receive MTF appropriations for these "necessary expenses" and requires that such appropriations be based on "established cost allocation methodology that reflects actual costs".

1. Michigan Department of State

The Department of State is one of the agencies listed in P.A. 51 as eligible to receive MTF appropriations. The budget continues the FY 2001-02 increase in the MTF grant to the Department of State, included in Executive Order 2001-9. The FY 2002-03 grant totals \$94,500,000 (\$90,400,000 for the collection of revenue and fees and \$4,100,000 for commemorative/speciality license plates).

| | |
|------------|------------|
| Gross | 38,685,900 |
| Restricted | 38,685,900 |
| GF/GP | 0 |

2. Michigan Department of Treasury

The Department of Treasury is not included in the list of agencies eligible to receive MTF appropriations for administrative expenses in P.A. 51 of 1951. The budget continues the \$8,000,000 MTF grant to the Department of Treasury established in Executive Order 2001-9. The FY 2002-03 grant totals \$10,200,000 (\$8,000,000 for fuel tax collection and \$2,200,000 to cover the implementation costs associated with the diesel fuel tax simplification system).

| | |
|------------|------------|
| Gross | 10,225,000 |
| Restricted | 10,225,000 |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

B. FEDERAL FUNDING

1. Federal Road and Bridge Funding

The budget includes additional anticipated Federal funding under the Transportation Equity Act for the 21st Century of \$7,900,000. The State redirected \$11,000,000 of its Federal allocation for debt service costs associated with a planned \$200,000,000 issuance of Federal grant anticipation notes (GANs). These notes (principal and interest) will be repaid with Michigan's Federal highway funds. The State issued \$400,000,000 of these short-term notes in July 2001 to accelerate its road program.

| | |
|---------|-----------|
| Gross | 7,942,200 |
| Federal | 7,942,200 |
| GF/GP | 0 |

2. Critical Bridge Fund

The Conference Committee report earmarked 20% of all Federal aid bridge funds coming to Michigan (\$24,000,000) to the Critical Bridge Fund for local bridge projects (Section 405). This earmark removed \$6,000,000 dedicated for State bridge projects and shifted it to local projects. Under the State's allotment schedule, 15% of all Federal aid bridge funds are provided for local bridge projects. The Governor vetoed Section 405, which effectively eliminated from the budget all Federal aid bridge funds designated for local bridge projects. (See Item 1 in VETOES below.)

| | |
|---------|---|
| Gross | 0 |
| Federal | 0 |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

C. AIRPORT SAFETY AND PROTECTION (ASAP) PLAN

The budget includes a new program to address security issues at Michigan airports. The ASAP plan involves the sale of \$60,000,000 in bonds over a five-year period to provide funds for airport security/safety projects. Debt service on the bonds is to come from a statutory change in the allocation of the State airport parking tax, redirecting \$6,000,000 of the tax revenues to the State Aeronautics Fund as contemplated in House Bill 4454. Under the ASAP plan, \$5,000,000 is directed to the MDOT budget to cover debt service on bonds and \$1,000,000 is directed to the capital outlay budget for the State aeronautics program.

| | |
|------------|-----------|
| Gross | 5,000,000 |
| Restricted | 5,000,000 |
| GF/GP | 0 |

Section 401 of P.A. 560 of 2002 conditions this appropriation on passage of House Bill 4454, which would amend the Airport Parking Tax Act. Among other things, House Bill 4454 specifies that the first \$6,000,000 in revenue collected from the airport parking tax each year would be distributed to the State Aeronautics Fund to be used for safety and security projects at State airports.

D. ELIMINATION OF TRANSFER FROM BUDGET STABILIZATION FUND

The budget eliminates the annual \$35,000,000 transfer from the Budget Stabilization Fund to the State Trunkline Fund (STF) to cover debt service on Build Michigan III bonds and replaces the funding with STF revenue. The annual transfer was established in the Management and Budget Act and authorized to occur through FY 2015-16. The transfer occurred in both FY 2000-01 and FY 2001-02.

| | |
|------------|---|
| Gross | 0 |
| Restricted | 0 |
| GF/GP | 0 |

Public Act 504 of 2002 amended the Management and Budget Act to eliminate the transfer in FY 2002-03 only.

E. TRANSPORTATION ECONOMIC DEVELOPMENT FUND

The budget makes adjustments to allocate debt service on Build Michigan III bonds proportionately from categories "A", "C", and "D", as opposed to entirely from category "A" (target industries), which is how the debt service was appropriated in FY 2001-02. (Despite its treatment in the FY 2001-02 budget, the Governor, in his veto message, directed the Department to pay Build Michigan III debt service from "A", "C", and "D".) The budget also restores, proportionately, the \$2,300,000 reduction in the Fund under Executive Order 2001-9.

| | |
|------------|-----------|
| Gross | 2,250,000 |
| Restricted | 2,250,000 |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

F. HIGHWAY MAINTENANCE

The budget provides additional funding for highway maintenance and an enhancement to reflect additional trunkline lane miles as a result of construction and jurisdictional transfers.

| | |
|------------|-----------|
| Gross | 7,168,300 |
| Restricted | 7,168,300 |
| GF/GP | 0 |

G. RAIL PASSENGER SERVICE

The budget includes additional funding for rail passenger projects. This program, which totals \$11,300,000 (\$8,300,000 State restricted and \$3,000,000 Federal), provides operating funds for Amtrak (up to \$5,700,000), high speed rail development, and intercity rail projects.

Section 723 of the budget provides up to \$1,000,000 from this program for a 20% match to Federal funds for the Lansing-to-Detroit rail passenger project. Section 723 prohibits this one-time funding from being used for operating costs of the service.

| | |
|------------|-----------|
| Gross | 1,378,000 |
| Restricted | 1,378,000 |
| GF/GP | 0 |

H. FIRE PROTECTION GRANTS

The budget includes a new boilerplate section (Sec. 901) appropriating \$7,400,000 from the Liquor Purchase Revolving Fund to the Department for transfer to the Department of Consumer and Industry Services for fire protection grants to local units of government. These grants are provided to local communities for fire protection services to State-owned buildings.

Funding for these grants was included in Enrolled House Bill 5644, the FY 2002-03 Department of Consumer and Industry Services budget. The Governor vetoed the funding in that bill. The Conference Committee report included the funding in the FY 2002-03 transportation budget.

| | |
|-------|---|
| Gross | 0 |
| GF/GP | 0 |

I. PROGRAM TRANSFERS

The budget includes a transfer of 107 FTEs to the new Department of Information Technology. Information technology funding (totaling \$26,400,000), previously dispersed throughout the budget, is consolidated in a new appropriation unit.

| | |
|-----|---------|
| FTE | (107.0) |
|-----|---------|

J. UNCLASSIFIED SALARIES

The budget includes a 2% salary increase for unclassified positions.

| | |
|------------|--------|
| Gross | 10,400 |
| Restricted | 10,400 |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

K. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, lump sum payments, workers' compensation, rent, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

| Item | Gross | GF/GP |
|----------------------------|-------------|-------|
| Salaries | \$3,264,300 | \$0 |
| Retirement | 1,554,600 | 0 |
| Lump Sum | (1,401,500) | 0 |
| Building Occupancy Charges | 337,300 | 0 |
| Rent | 493,500 | 0 |
| Workers' Compensation | 254,000 | 0 |
| Total | \$4,502,200 | \$0 |

Gross 4,502,200
Restricted 4,502,200
GF/GP 0

L. OTHER ISSUES

The budget includes other adjustments to reflect restricted revenue availability, certain administrative efficiencies, restoration of funding vetoed in the FY 2001-02 budget and funding cut in Executive Order 2001-9, and funding shifts among restricted funds. A reduction is included to reflect the end of the required payouts associated with the 1997 early retirement program.

The budget also reflects adjustments to account for mid-year contingency fund transfers and supplemental appropriations contained in Public Act 530 of 2002, totaling \$36,700,000..

Gross (64,806,500)
IDT (11,459,500)
Federal (6,050,000)
Restricted (47,297,000)
GF/GP 0

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

M. VETOES

1. Local Bridge Funding Increase

The Governor vetoed \$24,000,000 in Federal funding provided to the Critical Bridge Fund for local bridge projects (Section 405). Pursuant to current Federal Highway Administration guidelines, 15% of all Federal aid bridge funds coming to Michigan are earmarked for local projects. The Conference Committee report provided a 20% earmarking of Federal bridge funds for locals, thereby increasing the local allotment by \$6,000,000 and reducing the State's share by an equal amount. The Governor's veto of Section 405 effectively eliminates all Federal aid for local bridge projects. Citing his continued opposition to this earmarking of Federal funds, the Governor indicated that Federal bridge funds should be spent on the high-level State trunkline system, where they will have the greatest impact on Michigan motorists.

| | |
|---------|--------------|
| Gross | (24,000,000) |
| Federal | (24,000,000) |
| GF/GP | 0 |

2. Specific Transportation Projects

The Governor vetoed specific legislatively-identified transportation projects estimated at \$9,260,000. These included \$1,500,000 STF for lane closure incentives on M-6/US-131 (Section 351), \$85,000 STF for a scrap tire demonstration project (Section 355), \$7,200,000 for an east-west all-season access road in Barry County (Section 611), \$50,000 STF for an interchange study of I-675/Washington Ave. in the City of Saginaw (Section 612), \$100,000 STF for an interchange study of I-75/M-30 in Ogemaw County (Section 613), \$25,000 STF for installation of a traffic light on M-37 in Grand Traverse County (Section 614), \$50,000 STF for an interchange study of I-96/Sternberg Rd. in Muskegon County (Section 615), \$50,000 Federal/STF for a traffic study on M-104 in Ottawa County (Section 616), \$100,000 STF for an interchange study on M-48/I-75 in Chippewa County (Section 617), and \$100,000 STF for the I-94 Modernization Project in Jackson County (Section 618).

| | |
|------------|-------------|
| Gross | (9,260,000) |
| Federal | (40,000) |
| Restricted | (9,220,000) |
| GF/GP | 0 |

| | | FY 2002-03 Change from FY 2001-02 <u>Year-to-Date</u> |
|---|------------|--|
| 3. Aeronautics Safety Officer Position | | |
| The Governor vetoed language that would have created a safety officer position in the Bureau of Aeronautics to coordinate safety functions between the Departments of Transportation, Natural Resources, and State Police. The position would have been funded in equal shares by each Department, so the veto represents one-third of the funding for this position. | | |
| | Gross | (21,000) |
| | Restricted | (21,000) |
| | GF/GP | 0 |

DEPARTMENT OF TREASURY-DEBT SERVICE
P.A. 528 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|---------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | N/A | N/A | N/A | N/A | N/A |
| GROSS | 96,995,000 | 59,586,400 | 59,586,400 | (37,408,600) | (38.6) |
| Less: | | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 96,995,000 | 59,586,400 | 59,586,400 | (37,408,600) | (38.6) |
| Less: | | | | | |
| Federal Funds | 0 | 0 | 0 | 0 | 0.0 |
| Local and Private | 700,000 | 0 | 0 | (700,000) | (100.0) |
| TOTAL STATE SPENDING | 96,295,000 | 59,586,400 | 59,586,400 | (36,708,600) | (38.1) |
| Less: | | | | | |
| Other State Restricted Funds | 0 | 0 | 0 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE .. | 96,295,000 | 59,586,400 | 59,586,400 | (36,708,600) | (38.1) |
| PAYMENTS TO LOCALS | 0 | 0 | 0 | 0 | 0.0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. DEBT REFINANCING

Gross (36,834,900)
GF/GP (36,834,900)

The budget includes a reduction to the appropriations for debt service obligations as a result of refinancing. The reduction consists of a \$14,934,900 reduction to the Quality of Life Bond and a \$30,900,000 reduction to the School Bond Loan program. The School Bond Loan program appropriation reflects a negative supplemental appropriation in FY 2001-02.

B. BASELINE ADJUSTMENTS

Gross 4,800,000
GF/GP 4,800,000

Standard baseline adjustments are made to the Clean Michigan Initiative debt service pursuant to existing obligations.

C. PROGRAM TRANSFERS

Gross (5,373,700)
Local (700,000)
GF/GP (4,673,700)

After refinancing the debt obligation, the remaining balance of \$5,373,700 for the School Bond Loan program is transferred to the School Aid budget.

DEPARTMENT OF TREASURY-OPERATIONS
P.A. 528 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|--------------|
| | | | | AMOUNT | PERCENT |
| FTE Positions | 1,995.5 | 1,852.5 | 1,852.5 | (143.0) | (7.2) |
| GROSS | 369,546,100 | 371,179,800 | 368,480,500 | (1,065,600) | (0.3) |
| Less: | | | | | |
| Interdepartmental Grants Received | 17,237,000 | 19,445,300 | 19,445,300 | 2,208,300 | 12.8 |
| ADJUSTED GROSS | 352,309,100 | 351,734,500 | 349,035,200 | (3,273,900) | (0.9) |
| Less: | | | | | |
| Federal Funds | 44,898,800 | 44,296,100 | 44,296,100 | (602,700) | (1.3) |
| Local and Private | 950,100 | 910,800 | 910,800 | (39,300) | (4.1) |
| TOTAL STATE SPENDING | 306,460,200 | 306,527,600 | 303,828,300 | (2,631,900) | (0.9) |
| Less: | | | | | |
| Other State Restricted Funds | 251,969,200 | 252,233,900 | 252,233,900 | 264,700 | 0.1 |
| GENERAL FUND/GENERAL PURPOSE .. | 54,491,000 | 54,293,700 | 51,594,400 | (2,896,600) | (5.3) |
| PAYMENTS TO LOCALS | 96,872,600 | 97,980,100 | 97,980,100 | 1,107,500 | 1.1 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. FEDERAL EDUCATION ASSESSMENTS GRANT

The Federal government has made grants to the states to conduct yearly testing in math and reading of students in grades 3-8. Federal funding of \$10,698,800 will supplement the Michigan Education and Assessment Program (MEAP), which is currently testing in only two of those grades. States have until the 2004-05 school year to implement the additional tests. Use of the Federal funds may include the creation of state standards, test development, and administration. A supplemental appropriation was made in FY 2001-02 for the same amount for the same purpose.

| | |
|---------|---|
| Gross | 0 |
| Federal | 0 |
| GF/GP | 0 |

B. COLLECTION OF TRANSPORTATION-RELATED TAXES AND AUDIT COSTS

Executive Order 2001-9 offset \$8,000,000 GF/GP with Michigan Transportation Fund dollars for FY 2001-02. The budget for FY 2002-03 continues this at the same level of funding. The funding is applied toward the costs of collecting transportation-related taxes and audit activities that the Department of Treasury performs on behalf of the Department of Transportation.

| | |
|-------|---|
| Gross | 0 |
| IDG | 0 |
| GF/GP | 0 |

C. TAX REVERTED PROPERTY ANNUAL COSTS

Fiscal year 2002-03 will be the first full year of operation of the new program established by Public Act 123 of 1999 for handling tax reverted property. The budget includes an increase to reflect a full year of administration costs.

| | |
|------------|-----------|
| Gross | 3,071,700 |
| Restricted | 3,071,700 |
| GF/GP | 0 |

D. AUTOMATED INVESTMENTS TRACKING SYSTEM

The budget includes operational costs for a new automated investments tracking system. The new accounting system will provide information regarding transfers and assets on a real time basis, as well as bring the trading system into compliance with standards established by the Securities and Exchange Commission. The system is funded from fees applied to retirement funds.

| | |
|------------|-----------|
| Gross | 2,350,000 |
| Restricted | 2,350,000 |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

E. DIESEL EQUITY AND SIMPLIFICATION PACKAGE

The budget includes funding for the implementation and administration of this program. Of the enacted appropriation, approximately \$2,000,000 is one-time funding for implementation of an electronic reporting and payment system and \$225,000 is provided for ongoing operational costs. The new system is expected to reduce manual processing time and increase accuracy and efficiency in tax collection.

| | |
|-------|-----------|
| Gross | 2,225,000 |
| IDG | 2,225,000 |
| GF/GP | 0 |

F. SCHOOL BOND LOAN REVIEWS

The budget includes funding for an additional position for auditing and review purposes related to the School Bond Loan Program.

| | |
|------------|--------|
| Gross | 70,000 |
| Restricted | 70,000 |
| GF/GP | 0 |

G. TAX TECHNOLOGY INVESTMENT PLAN

The Tax Technology Investment Plan will be implemented in three stages by December 2002. The budget removes implementation funding for the project. The Tax Technology Investment Plan has received \$20,700,000 over the past four fiscal years for implementation costs. An appropriation of \$3,500,000 remains in the budget for ongoing operational costs. This project will be under the direction of the new Department of Information Technology.

| | |
|------------|-------------|
| Gross | (3,000,000) |
| Restricted | (3,000,000) |
| GF/GP | 0 |

H. LOTTERY ADMINISTRATIVE BUDGET ADJUSTMENT

The budget includes a reduction to the budget of the Bureau of Lottery related to the completion of information technology initiatives.

| | |
|------------|-------------|
| Gross | (1,781,800) |
| Restricted | (1,781,800) |
| GF/GP | 0 |

I. LOTTERY NEW GAMES FUNDING

The budget includes funding for the development and implementation of new Lottery games. The anticipated games are a Changeplay game and instant lottery ticket vending machines.

| | |
|------------|-----------|
| Gross | 1,500,000 |
| Restricted | 1,500,000 |
| GF/GP | 0 |

J. REMOVAL OF PRESCRIPTION DRUG CREDIT ADMINISTRATION COSTS

With the full implementation of Michigan's Elder Prescription Insurance Coverage (EPIC), the Senior Prescription Tax Credit Program no longer exists. The budget removes administration funding for this program.

| | |
|------------|-----------|
| Gross | (182,500) |
| Restricted | (182,500) |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

K. COMPLETION OF 1997 EARLY RETIREMENT PAYOUTS

The budget includes a reduction to reflect the end of the five-year payouts of sick leave related to employees who retired under the 1997 early retirement legislation.

| | |
|------------|-----------|
| Gross | (203,700) |
| IDG | (5,000) |
| Local | (11,000) |
| Restricted | (113,700) |
| GF/GP | (74,000) |

L. STAFF REDUCTIONS TO PAY FOR EMPLOYEE ECONOMICS

The budget includes a reduction of 3.0 FTEs and associated funding to pay for employee economic adjustments.

| | |
|-------|-----------|
| FTE | (3.0) |
| Gross | (181,500) |
| GF/GP | (181,500) |

M. UNDESIGNATED BUDGETARY SAVINGS

The FY 2002-03 enacted budget includes a 1% GF/GP departmentwide reduction. The negative appropriation will be applied to specific line items through the legislative transfer process at a later date.

| | |
|-------|-----------|
| Gross | (542,900) |
| GF/GP | (542,900) |

N. UNDESIGNATED EARLY RETIREMENT SAVINGS

The budget includes a GF/GP reduction to reflect savings from the early retirement option made available in 2002. In the Department of Treasury, 230 employees participated in this option.

| | |
|-------|-------------|
| Gross | (2,156,500) |
| GF/GP | (2,156,500) |

O. PROGRAM TRANSFERS

In the budget, 140.0 FTE positions are transferred to the new Department of Information Technology. Of the FTEs transferred, 38.0 are from the Bureau of Lottery, 7.0 are from Casino Gaming, and 95.0 are from the Treasury Department in general. The enacted budget creates within the Department of Treasury budget a new appropriation unit that includes \$21,208,300 Gross; \$7,017,000 GF/GP. This funding is appropriated in the budget for the new Department as an IDG from user charges.

| | |
|-------|---------|
| FTE | (140.0) |
| Gross | 0 |
| GF/GP | 0 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

P. UNCLASSIFIED SALARIES

The budget includes a 3.5% increase to the FY 2001-02 level, from \$774,200 to \$800,900. Of the \$26,700 Gross increase, \$15,100 is restricted funding from the State Lottery Fund and the State Services Fee Fund for the positions of Lottery Commissioner and Executive Director of the Michigan Casino Gaming Board.

| | |
|------------|--------|
| Gross | 26,700 |
| Restricted | 15,100 |
| GF/GP | 11,600 |

Q. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, workers' compensation, building occupancy charges, and the removal of lump sum payments consistent with factors applied to all budgets. These adjustments include:

| | |
|------------|-----------|
| Gross | 3,247,500 |
| IDG | (11,700) |
| Federal | 107,300 |
| Local | (28,300) |
| Restricted | 1,240,000 |
| GF/GP | 1,939,200 |

| Item | Gross | GF/GP |
|---------------------------------|-------------|-------------|
| Salaries and Wages | \$1,586,100 | \$359,700 |
| Retirement | 488,000 | 43,300 |
| Building Occupancy Charges/Rent | 2,638,900 | 1,769,300 |
| Rent | (408,600) | 0 |
| Workers' Compensation | (104,000) | (40,300) |
| Lump Sum Adjustments | (684,200) | (192,800) |
| Other Adjustments | (268,700) | 0 |
| Total | \$3,247,500 | \$1,939,200 |

R. OTHER ISSUES

The budget includes adjustments for one-time items, transfers, and supplemental appropriations in FY 2001-02, and changes in grant levels for programs such as the Health and Safety grants, the Commercial Mobile Radio Service grants, and the Senior Citizen Cooperative Housing Tax Exemption Program.

| | |
|------------|-------------|
| Gross | (5,507,600) |
| Federal | (710,000) |
| Restricted | (2,904,100) |
| GF/GP | (1,892,500) |

DEPARTMENT OF TREASURY-REVENUE SHARING
P.A. 528 of 2002

| FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE | FY 2001-02 YEAR-TO-DATE | FY 2002-03 GOV'S REC. | FY 2002-03 YEAR-TO-DATE | CHANGES FROM FY 2001-02 YEAR-TO-DATE | |
|--|----------------------------|--------------------------|----------------------------|---|------------|
| | | | | DOLLAR | PERCENT |
| FTE Positions | N/A | N/A | N/A | N/A | N/A |
| GROSS | 1,523,600,000 | 1,538,800,000 | 1,533,500,000 | 9,900,000 | 0.6 |
| Less: | | | | | |
| Interdepartmental Grants Received | 0 | 0 | 0 | 0 | 0.0 |
| ADJUSTED GROSS | 1,523,600,000 | 1,538,800,000 | 1,533,500,000 | 9,900,000 | 0.6 |
| Less: | | | | | |
| Federal Funds | 0 | 0 | 0 | 0 | 0.0 |
| Local and Private | 0 | 0 | 0 | 0 | 0.0 |
| TOTAL STATE SPENDING | 1,523,600,000 | 1,538,800,000 | 1,533,500,000 | 9,900,000 | 0.6 |
| Less: | | | | | |
| Other State Restricted Funds | 1,523,600,000 | 1,528,800,000 | 1,523,600,000 | 0 | 0.0 |
| GENERAL FUND/GENERAL PURPOSE .. | 0 | 10,000,000 | 9,900,000 | 9,900,000 | 0.0 |
| PAYMENTS TO LOCALS | 1,523,600,000 | 1,538,800,000 | 1,533,500,000 | 9,900,000 | 0.6 |

**FY 2002-03
Change from
FY 2001-02
Year-to-Date**

A. REVENUE SHARING PAYMENTS FY 2002-03

| | |
|------------|-----------|
| Gross | 9,900,000 |
| Restricted | 0 |
| GF/GP | 9,900,000 |

Public Act 528 of 2002 appropriates revenue sharing payments. The restricted revenue sharing payments are estimated and appropriated at \$1,523,600,000 in FY 2002-03, an increase of \$0, or 0.0%, over FY 2001-02 estimated and appropriated payments. Because the total restricted appropriated amount will be a limit on total revenue sharing distributions, if actual sales tax revenue exceeds the consensus figure and produces a higher constitutional revenue sharing total than the appropriated amount, the amount above the constitutional appropriation that is distributed will be subtracted from the statutory payments. If actual sales tax revenues is less than the adopted estimate, then constitutional revenue sharing payments will be lower.

The appropriated amount is approximately \$120,600,000 less than the amount suggested by the statutory formula to “fully fund” revenue sharing payments. The Governor’s Recommendation in February 2002 was to keep FY 2002-03 total restricted revenue sharing payments at the FY 2001-02 level. Because the FY 2002-03 appropriation does not “fully fund” revenue sharing payments, sales tax revenue may be approximately \$849,300,000 lower than estimated and total statutory revenue sharing payments will not be automatically reduced, although the distribution of statutory payments will be altered.

Public Act 528 of 2002 also includes the requirement that if a county treasurer does not comply with Section 151 of the State School Aid Act (MCL 388.1751), then the statutory portion of the respective county’s revenue sharing payments will not be made until the reporting requirements have been fulfilled. County treasurers are required to submit a statement of the taxable value data for each district and fraction of each district within the counties, as well as revisions for prior years.

The estimated revenue sharing payments by distribution type are summarized in Table 1. The figures in Table 1 are based on the May 2002 consensus estimates of State revenues and reflect the appropriations made in Public Act 528 of 2002.

B. “HOLD HARMLESS” GRANTS TO LOCAL GOVERNMENTAL UNITS

In addition to appropriating revenue sharing payments, Public Act 528 of 2002 appropriates \$9,900,000 of General Fund/General Purpose revenues for grants to local governmental units. Even though total revenue sharing payments in FY 2002-03 are appropriated at the same level estimated for FY 2001-02, the composition of the payments is different because the constitutional and statutory portions are different in the two years. As a result, some local units are estimated to receive more in restricted revenue sharing payments in FY 2002-03 than in FY 2001-02 while other local units are estimated to receive less. The grants are to “hold harmless” local governmental units from lower payments due to the changed distribution of payments in FY 2002-03 and are to be distributed to keep local units from receiving less in restricted revenue sharing payments and grants in FY 2002-03 than they received in restricted revenue sharing payments during FY 2001-02. If the appropriation is insufficient to completely “hold harmless” local units, then the payments are to be reduced proportionately.

If actual sales tax revenue exceeds the adopted estimate, the appropriation for statutory revenue sharing payments is reduced, which also changes the distribution of payments. Public Act 528 of 2002 provides for an increase in the grants to local governmental units if the statutory appropriation is reduced because actual sales tax collections exceed the adopted estimate.

C. VETOES

When the Governor signed Public Act 528 of 2002 into law on July 25, 2002, the \$844,170,000 in statutory revenue sharing payments and the \$9,900,000 in “hold harmless” grants to local units of government were vetoed. The Legislature voted on August 13, 2002, to override the veto, with the House of Representatives voting 105-1 and the Senate voting 36-1 to restore both statutory revenue sharing and the “hold harmless” payments to the levels submitted to the Governor.

Table 1

| REVENUE SHARING PAYMENTS FOR FY 2000-01 THROUGH FY 2002-03 (dollars in millions) | | | | | | | |
|--|----------------------------------|---------------------------|------------------------------------|---------|---------------------------|------------------------------------|---------|
| | FY 2001-02 After Executive Order | | | | Enacted FY 2002-03 | | |
| | FY 2000-01 Actual | FY 2001-02 Estimate 1) | FY 2000-01 to FY 2001-02 Growth | | FY 2002-03 Estimate 1) | FY 2001-02 to FY 2002-03 Growth | |
| | | | Dollar | Percent | | Dollar | Percent |
| Sales Tax Constitutional: | | | | | | | |
| Counties | \$0.0 | \$0.0 | \$0.0 | --- | \$0.0 | \$0.0 | --- |
| Cities, Villages, & Townships | 642.8 | 655.6 | 12.9 | 2.0% | 679.4 | 23.8 | 3.6% |
| Subtotal Constitutional | \$642.8 | \$655.6 | \$12.9 | 2.0% | \$679.4 | \$23.8 | 3.6% |
| Sales Tax Statutory: | | | | | | | |
| Counties | \$228.7 | \$217.5 | (\$11.2) | -4.9% | \$211.5 | (\$6.0) | -2.7% |
| Cities, Villages, & Townships | 684.0 | 650.5 | (33.5) | -4.9% | 632.6 | (17.9) | -2.7% |
| Subtotal Statutory | \$912.7 | \$868.0 | (\$44.7) | -4.9% | \$844.2 | (\$23.8) | -2.7% |
| Total Restricted Revenue Sharing ¹⁾ | \$1,555.5 | \$1,523.6 | (\$31.8) | -2.0% | \$1,523.6 | (\$0.0) | -0.0% |
| General Fund/General Purpose ²⁾ | 0.0 | 0.0 | 0.0 | --- | 9.9 | 9.9 | --- |
| Total Revenue Sharing Under Appropriation | \$1,555.5 | \$1,523.6 | (\$31.8) | -2.0% | \$1,533.5 | \$9.9 | 0.6% |
| ¹⁾ The revenue sharing appropriations are based on consensus sales tax estimates adopted at the May 2002 Consensus Revenue Estimating Conference, subject to existing appropriations already made for FY 2001-02. The appropriated levels represent the maximum amount that will be distributed for restricted revenue sharing. If actual sales tax collections are lower, then the revenue sharing distributions will be reduced. If actual sales tax collections are higher than estimated, then constitutional payments will be increased and statutory payments will be reduced. ²⁾ General Fund/General Purpose amounts are for special census payments, except in FY 2002-03, when there are no special census payments, but the Governor's Recommendation includes \$9.9 million of grants to local units. The grants are to be distributed to keep the projected FY 2002-03 total for each local unit from falling below the estimated FY 2001-02 level. The Senate Fiscal Agency estimates that the grants are approximately \$1.1 million less than what is needed to ensure that no local unit receives less in FY 2002-03 than in FY 2001-02. If actual sales tax collections are higher than estimated, the appropriation to the "hold harmless" grants will be increased. | | | | | | | |

APPENDICES

**FY 2002-03
APPROPRIATION BILL INDEX**

| <u>BUDGET AREA</u> | <u>BILL NUMBER</u> | <u>PUBLIC ACT NUMBER</u> | <u>LINE-ITEM VETOES</u> |
|--------------------------------------|------------------------|------------------------------|-----------------------------|
| Agriculture | H.B. 5642 | P.A. 516 of 2002 | YES |
| Attorney General | H.B. 5646 | P.A. 528 of 2002 | NO |
| Capital Outlay | S.B. 1099 | P.A. 45 of 2002 | YES |
| Career Development | H.B. 5643 | P.A. 517 of 2002 | NO |
| Civil Rights | H.B. 5646 | P.A. 528 of 2002 | NO |
| Civil Service | H.B. 5646 | P.A. 528 of 2002 | NO |
| Community Colleges | S.B. 1100 | P.A. 161 of 2002 | NO |
| Community Health | S.B. 1101 | P.A. 519 of 2002 | YES |
| Consumer and Industry Services | H.B. 5644 | P.A. 527 of 2002 | YES |
| Corrections | S.B. 1102 | P.A. 524 of 2002 | NO |
| Education | S.B. 1103 | P.A. 522 of 2002 | YES |
| Environmental Quality | S.B. 1104 | P.A. 520 of 2002 | YES |
| Executive | H.B. 5646 | P.A. 528 of 2002 | NO |
| Family Independence Agency | H.B. 5645 | P.A. 529 of 2002 | YES |
| Higher Education | S.B. 1105 | P.A. 144 of 2002 | YES |
| History, Arts, and Libraries | H.B. 5647 | P.A. 523 of 2002 | NO |
| Information Technology | H.B. 5646 | P.A. 528 of 2002 | NO |
| Judiciary | H.B. 5648 | P.A. 515 of 2002 | YES |
| Legislature | H.B. 5646 | P.A. 528 of 2002 | NO |
| Management and Budget | H.B. 5646 | P.A. 528 of 2002 | NO |
| Military and Veterans Affairs | H.B. 5649 | P.A. 514 of 2002 | NO |
| Natural Resources | S.B. 1106 | P.A. 525 of 2002 | YES |
| School Aid | S.B. 1044 | P.A. 297 of 2000 | YES |
| State ¹⁾ | H.B. 5646 | P.A. 528 of 2002 | YES |
| State Police | H.B. 5650 | P.A. 526 of 2002 | YES |
| Strategic Fund Agency | H.B. 5643 | P.A. 517 of 2002 | YES |
| Transportation | H.B. 5651 | P.A. 561 of 2002 | YES |
| Treasury ¹⁾ | H.B. 5646 | P.A. 528 of 2002 | YES |

¹⁾ Governor's veto overridden by the Legislature on August 13, 2002.

ECONOMIC FORECAST AND REVENUE ESTIMATES

A. ECONOMIC FORECAST

In 2002 and 2003, the U.S. and Michigan economies are expected to rebound from the slow rate of growth experienced in 2001. After increasing at a rate of 1.2% in 2001, real Gross Domestic Product (GDP), which measures the inflation-adjusted value of all final goods and services produced by the U.S. economy, will increase at an estimated rate of 2.5% in 2002. In 2003, the pace of real economic growth is expected to improve further to 3.3%. Despite the improved rate of growth forecast for 2002 and 2003, these predicted growth rates are below the growth rates experienced from 1995 to 2000. The expected improvement in the rate of economic growth in 2002 and 2003 will be attributable to improvements in a number of sectors in the economy. Consumer spending, which stayed surprising strong during the economic slowdown, is expected to improve slightly in 2002 and 2003. Light motor vehicle sales are expected to fall short of the very strong 17.0 million units sold in 2001, but still register fairly high levels of 16.5 million units in 2002 and 16.7 million units in 2003. Businesses kept their inventory levels under control during the economic slowdown, so as the economy improves, the level of business activity also will improve without much of a delay, which will help boost workers' hours and earnings, the number of jobs, and business investment in new equipment. As business activity picks up, the first benefits will appear in more hours being worked by existing workers, but as businesses gain confidence that the improved business climate is here to stay, then new workers will begin to be hired. As a result, increases in employment are not expected until the last part of 2002. These employment gains will help pull down the unemployment rate from a projected 5.6% in 2002 to 5.4% in 2003. Economic activity also will be aided by the relatively low level of interest rates that will remain in place during 2002. These low interest rates will be particularly beneficial to housing activity and business investment. The major potential threat to this forecast is that the economy takes longer than expected to pull out of the economic slowdown. This could occur due to lower-than-expected consumer confidence resulting from the slump in the stock market.

Michigan's economy also will experience improved economic growth in 2002 and 2003 compared with the economic slowdown experienced in 2001. Payroll employment will begin to improve during the last part of 2002 and result in a 1.7% increase in employment in 2003. This gain in employment will lower the unemployment rate from an estimated 6.1% in 2002 to 5.4% in 2003. The increase in employment, coupled with increases in the average work week and wages, will help boost personal income 5.0% in 2003. Adjusting for inflation, personal income will increase an estimated 0.8% in 2002, after declining 0.9% in 2001, and then increase 2.3% in 2003. Inflation is expected to pick up slightly, but remain below 3.0% in both 2002 and 2003.

These economic forecasts are the consensus forecasts adopted by the Senate Fiscal Agency, the House Fiscal Agency, and the Treasury Department at the May 2002 Consensus Revenue Estimating Conference.

B. GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES

General Fund/General Purpose (GF/GP) and School Aid Fund (SAF) available revenues are expected to total \$21.85 billion in FY 2002-03. This estimate includes baseline revenue, the impact of enacted tax changes, Federal aid, transfers from other funds, one-time revenue adjustments, and projected carry-over balances from FY 2001-02. The estimates of baseline revenue and the impact of enacted tax changes, were unanimously agreed to by the Senate Fiscal Agency, the House Fiscal Agency, and the Engler Administration at the May 2002 Consensus Revenue Estimating Conference.

Baseline GF/GP and SAF revenue will increase an estimated 4.5% in FY 2002-03 to \$19.7 billion. Baseline revenue is a measure of what revenue would be according to the economic forecast, but without any new tax changes or one-time revenue adjustments. This rate of growth is an improvement from the 0.6% decline in baseline revenue estimated for FY 2001-02.

Tax reductions enacted prior to the May 2002 Consensus Revenue Estimating Conference will reduce baseline revenue an estimated \$759 million. Most of this reduction in revenue will be due to the ongoing enacted phased reductions in the income and single business tax rates. The income tax rate was cut from 4.2% to 4.1% in 2002 and is scheduled to be reduced another 0.1 percentage point to 4.0% on January 1, 2003. The income tax rate phased reduction began in 2000 when the rate was cut from 4.4% to 4.2%. The single business tax rate is also being phased down by 0.1 percentage point a year, unless the balance in the Budget Stabilization Fund (BSF) falls below \$250 million at the end of the preceding fiscal year. On January 1, 2003, it is scheduled to be reduced from 1.9% to 1.8%, and at the time of the May 2002 Consensus Revenue Estimating Conference, it appeared that the BSF balance would be above \$250 million. As a result, the January 1, 2003, scheduled rate cut was reflected in the consensus revenue estimates.

Following the May 2002 Consensus Revenue Estimating Conference, some additional tax changes were enacted as part of the FY 2002-03 budget. The cigarette tax rate was increased by 50 cents per pack from \$0.75 per pack to \$1.25 per pack, and the tax on other tobacco products was increased from 16% of the wholesale price to 20%, effective August 1, 2002. These increases will generate an estimated \$57 million in FY 2001-02 and \$287 million in FY 2002-03. In addition, the gross receipts filing threshold on the single business tax was increased from \$250,000 to \$350,000, and this will reduce single business tax revenue by an estimated \$18.5 million in FY 2002-03. In addition to these enacted tax increases, it now appears that the single business tax rate will not be reduced on January 1, 2003, as scheduled, because it is estimated that the balance in the BSF will fall below \$250 million at the end of FY 2001-02. This pause in the scheduled single business tax rate cut will generate an additional \$87 million in FY 2002-03.

Table 1 presents the estimates of total GF/GP and SAF revenues for both FY 2001-02 and FY 2002-03. Presented are the estimates for baseline revenue, the impact of enacted tax changes, other revenue, and beginning balances for each of these funds.

1. General Fund/General Purpose Revenue

Total GF/GP revenue available to spend in FY 2002-03 will amount to an estimated \$9.22 billion. Baseline revenue is expected to increase 4.9% to \$9.13 billion, but the reduction in the income tax rate, which affects only GF/GP revenue, along with the other enacted tax reductions, including the scheduled reduction in the single business tax rate, will reduce baseline revenue an estimated \$728 million. As a result, the revenue derived from the ongoing revenue stream, will total an estimated \$8.4 billion in FY 2002-03, which is unchanged from the estimate for FY 2001-02, even though these estimates are based on improvement in economic growth. Newly enacted revenue adjustments will generate additional revenue of \$703 million, which is up from the estimated \$627 million that will be generated from revenue adjustments in FY 2001-02. These revenue adjustments in FY 2002-03 include one-time items such as a \$207 million transfer from the Budget Stabilization Fund, a \$100 million transfer from the Merit Award Trust Fund, and \$121 million from a reduction in revenue sharing payments to local governments. These revenue adjustments also include \$140 million from the newly enacted increase in the cigarette tax and \$87 million due to the delay in the single business tax rate reduction to 1.8%, which had been scheduled for January 1, 2003. Total GF/GP revenue available to spend in FY 2002-03 will be up an estimated \$161 million or 1.8% from FY 2001-02, but this will be due largely to the fact that FY 2002-03 is expected to inherit a \$115 million beginning balance, while FY 2001-02 had a beginning balance of only \$28 million. Excluding the beginning balances, FY 2002-03 GF/GP available revenue will be up \$74 million or 0.8% from FY 2001-02.

2. School Aid Fund Revenue

Total SAF revenue available to spend will equal an estimated \$12.82 billion in FY 2002-03. This represents an increase of 10.4%, but most of this increase is due to a one-time adjustment in Federal aid. Beginning in FY 2002-03, Federal aid received by the Michigan Department of Education to fund a variety of programs will be included in the School Aid Fund budget. In the past, the Federal aid for these programs was part of the Department of Education budget. Excluding Federal aid, total SAF available revenue will be up an estimated 1.6%, or \$188 million, in FY 2002-03. Baseline revenue from the ongoing earmarked taxes and lottery earnings is expected to total \$10.57 billion, which is up 4.1% from the FY 2001-02 estimate. Tax changes already enacted into law will reduce baseline revenue an estimated \$32 million. As a result, earmarked revenue, after the impact of the enacted tax changes, will be up an estimated 4.0% or \$404 million, to \$10.53 billion.

In addition to the revenue from the ongoing earmarked taxes and lottery earnings, the SAF receives revenue from several other sources. The grant from the GF/GP budget will total \$198 million in FY 2002-03, and a transfer from the BSF will total \$32 million. The recently enacted increase in the cigarette tax will generate an estimated \$120 million in new SAF revenue. In addition, an acceleration in the collection of the State Education Property Tax will generate a one-time revenue gain of \$474 million in FY 2002-03. These other revenue sources will generate an estimated \$854 million in FY 2002-03, which is up \$267 million compared with the \$587 million that the SAF received from other revenue sources in FY 2001-02. Much of the gain in revenue from both the ongoing earmarked revenues and the other revenue sources will be offset by a decrease in the carry-over beginning balance. The beginning balance in FY 2002-03 is expected to be \$215 million, which is down \$480 million from the \$695 million beginning balance in FY 2001-02.

| Table 1 GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES FOR FY 2001-02 AND FY 2002-03 (dollars in millions) | | | |
|---|-------------------|-------------------|-----------------|
| | FY 2001-02 | FY 2002-03 | % Change |
| GENERAL FUND/GENERAL PURPOSE | | | |
| Beginning Balance | \$28.1 | \$114.5 | --- |
| Baseline Consensus Revenue 1) | \$8,701.8 | \$9,131.8 | 4.9% |
| Tax Changes Not In Baseline 1) | (295.6) | (727.8) | 146.2 |
| <u>Revenue by Source After Tax Changes 1)</u> | | | |
| Net Income | 4,380.9 | 4,423.7 | 1.0 |
| Single Business | 1,893.4 | 1,864.4 | (1.5) |
| Sales | 89.1 | 114.3 | 28.3 |
| Use | 910.0 | 948.7 | 4.3 |
| Cigarette | 144.7 | 141.7 | (2.1) |
| Insurance Company Premiums | 240.0 | 254.0 | 5.8 |
| Telephone & Telegraph | 152.0 | 150.2 | (1.2) |
| Estate/Inheritance | 127.0 | 76.0 | (40.2) |
| All Other Taxes | 193.7 | 198.5 | 2.5 |
| Subtotal Taxes | 8,130.8 | 8,171.5 | 0.5 |
| Nontax Revenue | 275.3 | 232.7 | (15.5) |
| Subtotal Consensus Estimates After Tax Changes 1) | 8,406.1 | 8,404.2 | (0.0) |
| <u>Other Revenue Adjustments</u> | | | |
| Transfer from the Budget Stabilization Fund (BSF) | 345.3 | 207.0 | (40.1) |

| Table 1 GENERAL FUND/GENERAL PURPOSE AND SCHOOL AID FUND REVENUE ESTIMATES FOR FY 2001-02 AND FY 2002-03 (dollars in millions) | | | |
|---|-------------------|-------------------|-----------------|
| | FY 2001-02 | FY 2002-03 | % Change |
| Tobacco Tax Increase | 40.8 | 140.2 | 243.6 |
| Merit Award Trust Fund Transfer | 72.5 | 100.0 | 37.9 |
| Revenue Sharing Reductions | 25.8 | 120.6 | 367.4 |
| Tax Amnesty Program | 15.5 | 0.0 | (100.0) |
| SBT Rate Freeze Triggered | 0.0 | 87.3 | ---- |
| Employment Contingent Fund Transfers | 89.5 | 10.0 | (88.8) |
| Other Revenue Adjustments | 37.2 | 38.2 | 2.7 |
| TOTAL GF/GP REVENUE | \$9,060.8 | \$9,222.0 | 1.8% |
| SCHOOL AID FUND | | | |
| Beginning Balance | 694.8 | 215.2 | (69.0) |
| Baseline Consensus Revenue 1) | 10,149.0 | 10,565.7 | 4.1 |
| Tax Changes Not In Baseline 1) | (15.2) | (31.5) | 107.2 |
| <u>Revenue by Source After Tax Changes 1)</u> | | | |
| Sales & Use Taxes | 5,190.8 | 5,432.3 | 4.7 |
| Income Tax | 1,884.1 | 1,973.6 | 4.8 |
| State Education Property Tax | 1,558.0 | 1,624.8 | 4.3 |
| Real Estate Transfer Tax | 241.0 | 254.0 | 5.4 |
| Tobacco Tax | 378.6 | 371.0 | (2.0) |
| Casino Wagering Tax | 92.0 | 96.0 | 4.3 |
| Other Tax Revenue | 184.3 | 187.5 | 1.7 |
| Subtotal Taxes | 9,528.8 | 9,939.2 | 4.3 |
| Lottery | 605.0 | 595.0 | (1.7) |
| Subtotal Consensus Estimates After Tax Changes 1) | 10,133.8 | 10,534.2 | 4.0 |
| <u>Other Revenue:</u> | | | |
| General Fund Grant | 198.4 | 198.4 | 0.0 |
| Transfer from the Budget Stabilization Fund (BSF) | 382.0 | 32.0 | (91.6) |
| State Education Tax Accelerate Collection | 0.0 | 474.3 | --- |
| Tax Amnesty Program | 6.6 | 0.0 | (100.0) |
| Tobacco Tax Increase | 0.0 | 119.8 | --- |
| Federal Aid | 203.0 | 1,219.8 | 500.9 |
| Other Revenue | 0.0 | 29.2 | --- |
| TOTAL SAF REVENUE | \$11,618.6 | \$12,822.9 | 10.4% |
| TOTAL GF/GP AND SAF: | | | |
| Consensus Baseline Revenue | 18,850.8 | 19,697.5 | 4.5 |
| Consensus Tax Changes Not In Baseline | (310.8) | (759.3) | 144.3 |
| Consensus Revenue After Tax Changes | 18,540.0 | 18,938.2 | 2.1 |
| Total Revenue 2) | 20,481.0 | 21,846.5 | 6.7 |
| 1) Consensus revenue estimates adopted at the May 2002 Consensus Revenue Estimating Conference. | | | |
| 2) Total revenue includes consensus revenue estimates, beginning balances, other revenue, but excludes the GF/GP transfer to the SAF. | | | |

C. ECONOMIC AND BUDGET STABILIZATION FUND

Michigan's cyclical economy can produce significant swings in the rate of growth, or decline, in tax revenues from one year to the next. To help smooth the flow of revenues over the economic cyclical swings, Michigan created the Counter-Cyclical Budget and Economic Stabilization Fund in 1977. This fund, more commonly referred to as the Budget Stabilization Fund (BSF), is designed to be a cash reserve to which the State adds money during good economic times and from which it withdraws money during poor economic years. Having the money available during poor economic years helps the State avoid having to cut spending and/or increase taxes, and therefore helps stabilize the State budget and the tax structure.

All transfers into and out of the BSF must be appropriated by the Legislature. There are formulas that indicate when it is appropriate to put money into and take money from the BSF, but historically, most of the BSF transactions have not been directly tied to the formulas, but have simply been at the will of the Legislature and Governor. With the slowdown in economic activity since the summer of 2000, the resulting strain on the budget is apparent from the withdrawals that occurred in FY 2000-01 and FY 2001-02, and those planned for FY 2002-03. The annual BSF transactions since it was created in 1977 are presented in Table 2.

1. FISCAL YEAR 2001-02

Due to the slowdown in economic activity and the projected tight fiscal conditions, no payment into the BSF was appropriated in the FY 2001-02 budget; however, four withdrawals were appropriated totaling \$762 million: \$32 million to the School Aid Fund to finance *Durant* payments to school districts, \$350 million to the School Aid Fund to help finance school aid, \$35 million to the State Trunkline Fund to help finance transportation needs, and \$345 million to help balance the General Fund/General Purpose budget. In addition, legislation was enacted to give the Administration the ability to withdraw additional funds in FY 2001-02, if needed to balance the budget. The balance in the BSF at the end of FY 2001-02 is estimated to total \$249 million, which is about \$1 billion below the peak balance of \$1.26 billion attained in FY 1999-2000.

2. FISCAL YEAR 2002-03

The FY 2002-03 budget does not include any payment into the BSF, but does include two withdrawals from the fund. A \$32 million transfer to the School Aid Fund has been enacted to fund the ongoing *Durant* court case payments and a \$207 million transfer to the General Fund/General Purpose budget has been appropriated. These withdrawals will lower the BSF balance to an estimated \$19 million at the end of FY 2002-03. This will mark the lowest ending balance in the BSF since it fell to \$20 million in FY 1991-92, at which time the economy was beginning slowly to pull out of the 1990-91 recession.

| Table 2 ECONOMIC AND BUDGET STABILIZATION FUND TRANSFERS, EARNINGS AND FUND BALANCE FY 1977-78 TO FY 2001-03 Estimate (millions of dollars) | | | | |
|--|---------------|------------------------|-------------------|---------------------|
| Fiscal Year | Pay-In | Interest Earned | Pay-Out | Fund Balance |
| 1977-78 | \$108.7 | \$6.2 | \$0.0 | \$114.9 |
| 1978-79 | 104.1 | 22.1 | 0.0 | 241.1 |
| 1979-80 | 0.0 | 32.1 | 263.7 | 9.5 |
| 1980-81 | 0.0 | 9.2 | 16.3 | 2.4 |
| 1981-82 | 0.0 | 0.6 | 0.0 | 3.0 |
| 1982-83 | 0.0 | 0.2 | 0.0 | 3.2 |
| 1983-84 | 0.0 | 0.2 | 0.0 | 3.4 |
| 1984-85 | 340.9 | 30.8 | 34.2 | 340.9 |
| 1985-86 | 30.6 | 28.2 | 14.7 | 385.1 |
| 1986-87 | 0.0 | 24.1 | 24.8 | 384.4 |
| 1987-88 | 0.0 | 29.2 | 20.4 | 393.1 |
| 1988-89 | 0.0 | 38.0 | 11.9 | 419.2 |
| 1989-90 | 0.0 | 35.8 | 69.9 | 385.1 |
| 1990-91 | 0.0 | 27.1 | 230.0 | 182.2 |
| 1991-92 | 0.0 | 8.1 | 170.1 | 20.1 |
| 1992-93 | 282.6 | 0.7 | 0.0 | 303.4 |
| 1993-94 | 460.2 | 11.9 | 0.0 | 775.5 |
| 1994-95 | 260.1 | 57.7 | 90.4 | 1,003.0 |
| 1995-96 | 91.3 | 59.2 | 0.0 | 1,153.6 |
| 1996-97 | 0.0 | 67.8 | 69.0 | 1,152.4 |
| 1997-98 | 0.0 | 60.1 | 212.0 | 1,000.5 |
| 1998-99 | 244.4 | 51.2 | 73.7 | 1,222.5 |
| 1999-00 | 100.0 | 73.9 | 132.0 | 1,264.4 |
| 2000-01 | 0.0 | 66.7 | 337.0 | 994.1 |
| Senate Fiscal Agency estimates: | | | | |
| 2001-02 | \$0.0 | \$17.1 | \$762.3 | \$249.0 |
| 2002-03 | 0.0 | 9.4 | 239.0 | 19.3 |
| Summary of Pay-Outs | | FY 2000-01 | FY 2001-02 | FY 2002-03 |
| <u>School Aid Fund</u> | | | | |
| Durant Payments | | 32.0 | 32.0 | 32.0 |
| Eliminate Deficit | | 0.0 | 71.7 | 0.0 |
| Other Withdrawal | | 0.0 | 278.3 | 0.0 |
| Subtotal SAF | | 32.0 | 382.0 | 32.0 |
| Trunkline Fund | | 35.0 | 35.0 | 0.0 |
| General Fund | | 270.0 | 345.3 | 207.0 |
| Total Pay-Outs | | 337.0 | 762.3 | 239.0 |

D. CONSTITUTIONAL REVENUE LIMIT

The Michigan Constitution places a limit on the amount of revenue State government can collect in any fiscal year. The limit essentially provides that total revenues, excluding Federal aid, may not exceed 9.49% of personal income. In order to establish a firm revenue limit before the fiscal year begins, the revenue limit for any particular fiscal year is based on personal income for the calendar year that ended prior to the start of the fiscal year. For example, in FY 2000-01, State government revenue could not exceed 9.49% of personal income in calendar year 1999, which was \$255,039 million. Therefore, the revenue limit in FY 2000-01 equaled \$24,203 million. Table 3 presents the actual revenue limit situation since FY 1994-95 and the projected levels for FY 2001-02 and FY 2002-03.

| Table 3 COMPLIANCE WITH CONSTITUTIONAL REVENUE LIMIT (dollars in millions) | | | |
|---|-------------------------------------|--------------------------|-------------------------------|
| Fiscal Year | Revenue Subject to Limit | Revenue Limit | Under (Over) Limit |
| 1994-95 | \$18,585.4 | \$18,475.8 | \$ (109.6) |
| 1995-96 | 19,798.8 | 19,982.0 | 183.2 |
| 1996-97 | 20,694.3 | 21,672.2 | 977.9 |
| 1997-98 | 22,072.3 | 22,712.4 | 640.1 |
| 1998-99 | 23,208.5 | 23,186.8 | (21.7) |
| 1999-2000 | 24,362.9 | 24,203.2 | (159.7) |
| 2000-01 | 23,907.6 | 26,315.4 | 2,407.8 |
| Estimates: | | | |
| 2001-02 | 23,494.6 | 27,463.1 | 3,968.5 |
| 2002-03 | 24,838.6 | 28,005.7 | 3,167.1 |

1. FISCAL YEAR 2001-02

Revenue subject to the limit is expected to fall well below the revenue limit in FY 2001-02. Revenue subject to the limit will total an estimated \$23,495 million, which is down 1.7% from the FY 2000-01 actual level. This decline is due to the ongoing reductions in the income and single business tax rates, and slow economic growth. The revenue limit, which is based on personal income in calendar year 2000 (when the economy was growing at a robust rate), is \$27,463 million, which represents an increase of 4.4% from the FY 2000-01 actual revenue limit. The expected decline in the revenue subject to the revenue limit combined with the increase in the revenue limit, boosts the amount by which revenues will fall below the revenue limit to \$3.97 billion in FY 2001-02, compared with \$2.41 billion in FY 2000-01.

2. FISCAL YEAR 2002-03

Revenue subject to the revenue limit will total an estimated \$24,839 million in FY 2002-03. This estimate includes the May 2002 consensus revenue estimates for FY 2002-03, plus the additional revenue from the increase in the cigarette tax, the expansion of the State lottery to include Sunday drawings, the delay in the scheduled single business tax rate reduction, and the increase in the single business tax filing

threshold. This estimate of the revenues that will be subject to the revenue limit, represents an increase of 5.7% from the FY 2001-02 estimate. This increase is attributed to stronger economic growth and the additional revenue that will be generated by the changes listed above. The revenue limit, which will be based on personal income in calendar year 2001, will total an estimated \$28,006 million in FY 2002-03. As a result, revenue subject to the limit will fall below the revenue limit by an estimated \$3.17 billion in FY 2002-03.



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